

RESOLUTION #R-36-2022

A RESOLUTION ADOPTING THE LOVELAND METROPOLITAN DISTRICT POLICY AND THE LOVELAND METROPOLITAN DISTRICT MODEL SERVICE PLAN

WHEREAS, the City seeks to adopt a metropolitan district policy and model service plan to guide the formation of metropolitan districts, set consistent and reasonable expectations for developers and proponents of metropolitan districts, and provide more transparency and notice to prospective property owners and homeowners within metropolitan districts regarding the effects and obligations of owning real property within a metropolitan district; and

WHEREAS, the City Council has reviewed benefits, burdens, impacts, and various components of metropolitan districts beginning in 2016 and concluding in April 19, 2022 with input from City staff, from residents at a Council town hall and during public comment at City Council meetings, and from experts throughout the state representing business associations, government agencies, including the local school district, and private businesses at Council study sessions and meetings; and

WHEREAS, these residents and experts provided a comprehensive view of metropolitan districts including information and positions that supported and rejected metropolitan districts, or advocated for more oversight of or limitations on metropolitan districts; and

WHEREAS, based on guidance from the City Council, staff developed: (1) a policy that provides procedural guidance on submission of a metropolitan district service plan, and a 15-point matrix within the policy that identifies some key, required components of a metropolitan district service plan to assist Council in evaluating the plan; and (2) a model service plan that includes, among other requirements, an easy-to-read notice about the existence of and financial effects of a metropolitan district (including a 30-year view), and a calculator to assist individuals in understanding the financial effects of being located within a metropolitan district; and

WHEREAS, in accordance with direction from the City Council, City staff drafted the Loveland Metropolitan District Policy attached as **Exhibit "A"** and incorporated by reference, and the Loveland Metropolitan District Model Service Plan attached as **Exhibit "B"** and incorporated by reference (together, referenced as the "Loveland Metropolitan District Policy and Model Service Plan"); and

WHEREAS, the City Council finds that having the Loveland Metropolitan District Policy and Model Service Plan is in the best interests of the City by guiding the formation of metropolitan districts, setting consistent and reasonable expectations for developers and proponents of metropolitan districts, and providing more transparency and notice to prospective property owners and homeowners within metropolitan districts.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY
OF LOVELAND, COLORADO:**

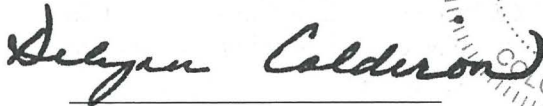
Section 1. That the Loveland Metropolitan District Policy and Model Service Plan be and hereby are adopted to guide the City Council's evaluation and decision regarding metropolitan district service plans and to achieve the purposes set forth above.

Section 2. Any metropolitan district service plan submitted to the City Council for consideration should comply substantially with the Loveland Metropolitan District Policy and Model Service Plan to the extent applicable.

Section 3. That this Resolution shall be effective as of the date of its adoption.

ADOPTED this 24th day of May, 2022.

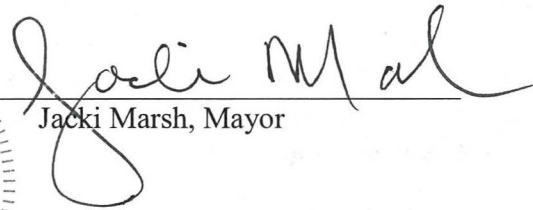
ATTEST:



Delynn Coldiron, City Clerk



By:



Jacki Marsh, Mayor

APPROVED AS TO FORM:



Moses Garcia, City Attorney

A RESOLUTION ADOPTING THE LOVELAND METROPOLITAN DISTRICT POLICY AND THE LOVELAND METROPOLITAN DISTRICT MODEL SERVICE PLAN



City of Loveland, Colorado Metropolitan District Policy

Policy statement: The City of Loveland's goal is to provide a consistent and transparent application and review process for proponents seeking to use metropolitan districts within the City for the purpose of financing and constructing public improvements as well as providing for ongoing operations and maintenance services. A metropolitan district is intended to be an independent unit of local government, separate, and distinct from the City.

The City has developed a model service plan and certain review criteria based on both Colorado State law and public policy objectives of the City to assist parties desiring to create a metropolitan district. The City Council has sole discretion to determine whether the proposed service plan substantially complies with the form and content of the model service plan. All service plans are subject to final approval by the City Council.

1. To commence the process for the creation of a metropolitan district, the proponents of a proposed metropolitan district must submit to the City of Loveland Finance Department the information set forth below.
 - a. A cover letter that (i) identifies the name, address, telephone number and email of the proponent and of the proponent's legal counsel, (ii) explains the need for the proposed service plan in relation to the proposed project, and (iii) provides the parcel identification number or address of the property included within the service district, including any property designated for future inclusion.
 - b. An electronic copy of the proposed service plan in the form of the City's current metropolitan district model service plan that incorporates and addresses the City's 17-point metropolitan district service plan review criteria. The model service plan is available here [\[INSERT LINK\]](#) or from the City Finance Department, and the review criteria is attached hereto as **Exhibit A**. The model service plan represents minimum requirements that the City will consider in evaluating a proposed service plan.
 - c. A chart setting forth each point of the review criteria in one column and a corresponding second column that briefly explains how the proposed service plan meets each point of the review criteria. Note: The review criteria is a general summary of the model service plan requirements and provides City Council with an overview of compliance with the model service plan.

Exhibit A

- d. An application fee deposit in the form of a check payable to the City of Loveland in the amount set and approved by City Council. As a condition of approval of the proposed service plan, the proponent must pay all City costs related to the legal and financial review of the proposed service plan, and will be invoiced for any costs incurred in excess of the deposit.
2. The City may require proof of ownership for all properties within the proposed metropolitan district and any inclusion area, as well as a copy of any and all of the proposed enabling, controlling, contractual and/or operational documents that would be affected or be executed by the proposed metropolitan district.
3. Proponents seeking to participate in a November election for a proposed service plan shall submit the plan no later than May 1 of the current year. Proponents seeking to participate in a May election (even numbered years only), shall submit the plan no later than November 1 of the prior year.
4. Once a metropolitan district service plan is approved by the City Council, the metropolitan district shall be responsible for any costs incurred by the City for legal or financial review of any further modification to the service plan that is subject to City Council approval.
5. The proponent will be required to sign a disclosure agreement with the City and provide certain disclosure notices to residents within the boundaries of the metropolitan district as a condition of the approval of the proposed service plan.

Any question should be directed to the City of Loveland Finance Department at (970) 962-2603.

Exhibit A

Exhibit A to City of Loveland, Colorado Metropolitan District Policy

City of Loveland 17-Point Metropolitan District Service Plan Review Criteria (Last updated May 4, 2022)			
	Description	Requirement/Condition	Consequence/Purpose
1	Limit Inactive Districts	A district must issue debt within 5 years of the original date of City Council's approval of the Service Plan.	If the district issues no debt within the period, the district must commence dissolution proceedings unless City Council grants an extension.
2	Public Improvement Limits	The City can identify specific improvements that will not constitute public improvements.	The district cannot design, acquire, install, construct, finance, operate, maintain or otherwise use the district's funds or debt for such improvements.
3	Maximum Debt Limit	The City can specify this amount.	This ensures the amount reasonably relates to the improvements, does not overburden residents and is consistent with past City authorizations.
4	Maximum Debt Term	No debt can have a term of more than 40 years from the date of issuance.	40 years after the date of debt issuance, any remaining balance is discharged. This provides homeowners with an end date for the debt mill levy.
5	Debt Repayment Deadline	The district must repay all debt within 45 years from approval of the service plan.	Any debt that exists after 45 years from the service plan approval is extinguished. This coincides with the 5-year deadline to issue debt above. This also provides homeowners with an end date for the debt mill levy.
6	Extensions of Debt Term or Repayment Deadline	If a majority of a board approving an extension is comprised of residents, the debt term and/or repayment deadline extensions may occur.	This provision is to encourage the transfer of power from the initial creator of the district to the residents.
7	Last Debt Issuance	The district can issue no debt 10 years after the original date of City Council's approval of the service plan.	No new debt may be issued 10 years after approval of the service plan to encourage timely construction of the

Exhibit A

Exhibit A to City of Loveland, Colorado Metropolitan District Policy

			improvements and the project.
8	Disclosure Policy	The district can issue no debt until the owner of the property in the district executes a disclosure agreement with the City and records it with the County.	The disclosure agreement requires the owner to provide specific disclosures to initial home purchasers about the district.
9	Metropolitan District Notice	The district can issue no debt until the owner records a specific notice regarding the district with the County.	The 3-page disclosure generally identifies the existence of the district, contact information for the district, and the effect of the district on a homeowner's property taxes.
10	Debt Mill Levy Cap	The maximum mill levy the District may impose for the payment of principal of and interest on Debt shall be 50.000 mills.	This ensures that the debt mill levy on the property does not overburden residents.
11	O&M Mill Levy Cap	A separate operations and maintenance mill levy maximum is specified. The maximum mill levy the District may impose to defray operations and maintenance expenses for the District shall not exceed 10.000 mills.	The O&M mill levy cap prevents a district from maintaining a high Total Mill Levy by increasing the O&M budget once the Debt Mill Levy is paid.
12	Material Modification Definition	The service plan identifies a number of actions as material modification to the service plan, such as increasing or decreasing the district size, increasing the Debt Mill Levy Cap, O&M Mill Levy Cap or the debt limit, or extending the debt term, debt repayment date or last debt issuance date.	Any material modification requires notice to residents, an opportunity to be heard before City Council, and City Council approval. This is intended to provide more transparency to district action and oversight by City Council.

Exhibit A

Exhibit A to City of Loveland, Colorado Metropolitan District Policy

13	Mill Levy Changes	An increase or decrease of five (5) or more mills, in any district requires the district to appear before Council to provide an explanation for the change.	This provision ensures that Council and the community understand the reasons for changes to the mill levies.
14	District Structure	If the use of “Postage Stamp” size districts is in the service plan, the proponent shall justify the need for the use.	Postage Stamp Size Districts: A proponent or developer uses this method when the development is very large, has a wide variety of uses, and takes many years to complete. Plans may be updated several times over the 40-year period of build-out.
15	District Governance	If the use of a controlling district is in the service plan, the proponent shall justify the need for the use.	Controlling Districts, also known as Managing or Service Districts may be necessary for large developments that may take many years to complete and a controlling district is needed to provide certainty for the bonds.
16	Subordinate Debt	Compound interest is not permitted on: Any loan from a developer or an affiliate of the developer to the metropolitan district. or Debt purchased by a developer or an affiliate of the developer issued by a metropolitan district.	Debt issues that involve a developer purchasing bonds that are subordinate to senior bonds.
17	Calculator	The website for each metropolitan district must have a calculator that is easily accessible and calculates the total property tax and district or Home Owner Association fee obligation on an annual basis within the district based	This requirement is intended to provide individuals with a simple method to calculate and understand the full property tax and district or HOA fee burdens associated with homeownership within the metropolitan district.

Exhibit A

Exhibit A
to City of Loveland, Colorado Metropolitan District Policy

		on an individual entering a mortgage amount and interest rate.	
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Exhibit B

**CONSOLIDATED SERVICE PLAN FOR
[INSERT NAME] METROPOLITAN DISTRICT NOS. 1 AND 2**

Prepared by:

Date: _____

Exhibit B

TABLE OF CONTENTS

I.	INTRODUCTION	1
A.	General Overview	1
1.	Scope of Service Plan	1
2.	Multiple District Structure	1
3.	Benefits of Multiple District Structure	2
4.	Configuration of Districts	3
5.	Long-Term District Plan	4
6.	City Policy	4
7.	Dedication of Public Improvements	4
8.	Existing Services and Districts	6
9.	Property Owners Associations	6
B.	General Financial Information and Assumptions	6
C.	Contents of Service Plan	7
D.	Modification of Service Plan	8
II.	NEED FOR NEW DISTRICTS AND GENERAL POWERS	8
A.	Need for Metropolitan Districts	8
B.	General Powers of Districts	8
1.	Sanitation and Storm Drainage	8
2.	Water	8
3.	Streets	9
4.	Traffic and Safety Controls	9
5.	Parks and Recreation	9
6.	Transportation	9
7.	Television Relay and Translator	10
8.	Mosquito and Pest Control	10
9.	Security	10
10.	Covenant Enforcement	10
11.	Business Development	10
12.	Legal Powers	10
13.	Other	10
14.	Condemnation	11
15.	Subdistrict Limitation	11

Exhibit B

16.	Special Assessments	11
III.	DESCRIPTION OF PUBLIC IMPROVEMENTS.....	11
A.	General.....	12
B.	General Design Standards.....	12
1.	Wastewater System.....	12
2.	Storm Drainage	13
3.	Potable Water System	13
4.	Non-Potable Irrigation Water System.....	14
5.	Street System and Traffic Safety	14
6.	Park and Recreation	15
C.	Services of Districts	15
D.	Estimated Cost of Public Improvements.....	16
IV.	DEVELOPMENT PROJECTIONS.....	16
V.	PROPOSED AGREEMENTS	16
A.	Intergovernmental Agreements Between the Districts	16
B.	Additional Intergovernmental Agreements and Agreements with Private Entities ...	17
VI.	OPERATION AND MAINTENANCE COSTS	17
VII.	FINANCING PLAN.....	17
A.	Debt Limitation.....	17
B.	Approval of Debt Issuance.....	18
C.	Identification of District Revenue.....	19
D.	Security for Debt.....	21
E.	Filings with City and Quinquennial Review	21
F.	Other Financial Information	22
G.	Enterprises.....	23
H.	Conservation Trust Fund.....	23

Exhibit B

I.	Elections; Other Requirements	23
VIII.	ANNUAL REPORT	23
A.	General.....	23
B.	Reporting of Significant Events.....	23
C.	Summary of Financial Information	24
IX.	CONCLUSIONS	24

Exhibit B

LIST OF EXHIBITS

EXHIBIT A – Map of Districts’ Boundaries

EXHIBIT B – Legal Description of the Districts’ Boundaries

EXHIBIT C – Public Improvements Diagrams

EXHIBIT D – Cost Estimates

EXHIBIT E – Financing Plan

EXHIBIT F – Statutory Contents of this Service Plan

EXHIBIT G – Agreement Regarding District Disclosures

EXHIBIT H – Notice of Inclusion in the _____ Metropolitan
District Nos. 1 and 2 and Possible Property Tax Consequences

Exhibit B

I. INTRODUCTION

A. General Overview.

1. Scope of Service Plan. This consolidated service plan (“Service Plan”) for [INSERT NAME] Metropolitan District Nos. 1 and 2, City of Loveland, Larimer County, Colorado, (the “Districts”) constitutes a combined Service Plan for two special districts, including [INSERT NAME] Metropolitan District No. 1 (“District No. 1”) and [INSERT NAME] Metropolitan District No. 2 (“District No. 2”), proposed for organization to serve the needs of a new development known as [INSERT NAME] in the City of Loveland, Colorado (the “City”) in Larimer County (the “County”). District No. 1 and District No. 2 are sometimes collectively referred to as the “Districts” and individually as the “District”; unless the context dictates otherwise, the singular includes the plural, and the plural includes the singular.

The Districts’ boundaries are anticipated to contain approximately [INSERT NUMBER] acres, including approximately [INSERT NUMBER] acres for commercial development and approximately [INSERT NUMBER] acres for residential development (the “Districts’ Boundaries”). Construction of public improvements is anticipated to occur over the next [INSERT NUMBER] years.

A map depicting the Districts’ Boundaries is attached hereto and incorporated herein as Exhibit A. The legal descriptions of the Districts’ Boundaries are attached hereto and incorporated as Exhibit B.

Considerable public improvements will be designed, acquired, installed, constructed, financed, operated, and/or maintained to provide the required water, wastewater, streets, and other public improvements needed for the area. The Service Plan addresses the public improvements which will be provided by the Districts and demonstrates how the two (2) special districts proposed to serve the development may work together to provide the necessary public improvements and services.

The Districts are independent units of local government, separate and distinct from the City. It is intended that the Districts will provide a part or all of the public improvements for the use and benefit of all anticipated inhabitants and taxpayers of the Districts. The primary purpose of the Districts will be to finance the construction of these public improvements. The Districts may also provide ongoing ownership, operations and maintenance of specific public improvements as provided for herein.

2. Multiple District Structure. This Service Plan is submitted in accordance with Part 2 of the Special District Act (§§ 32-1-201, *et seq.*, C.R.S.). It defines the powers and authorities of, as well as the limitations and restrictions on, the Districts. The use of a consolidated Service Plan for the Districts will help assure proper coordination of the powers and authorities of the independent Districts and will help avoid confusion regarding the separate, but coordinated, purposes of the Districts which could arise if separate service plans were used. Unless otherwise specifically noted herein, general provisions of this Service Plan apply to all Districts. The “Financing Plan” discussed in Section VII refers to a consolidated preliminary financing plan for the Districts which may be used by the Districts for designing, acquiring, installing, constructing, financing, operating, or maintaining public improvements of the Districts.

Exhibit B

The Districts will be responsible for managing the design, acquisition, installation, construction, financing, operation, and/or maintenance of public improvements needed for the development until such time as any such public improvements may be required to be conveyed to the City pursuant to Section I.A.7 and Section III of this Service Plan. In addition, subject to the limitations set forth herein, the Districts will be responsible for providing the funding needed to support the Financing Plan for capital improvements and for operations dependent on development within the Districts and the ultimate size of the tax base that follows.

Various agreements are expected to be executed by the Districts clarifying the nature of the functions and services to be provided by each District. The agreements will be designed to help assure the orderly development of essential services and public improvements resulting in a development which will be both an aesthetic and economic asset to the City. In general, the Districts may enter into one or more agreements concerning: (a) coordinated administration of the design, acquisition, installation, construction, financing, operations, and/or maintenance of public improvements, and delivery of those public improvements in a timely manner; (b) maintenance of reasonably uniform mill levies and reasonable tax burdens on all areas of the Districts through proper management of the financing and operation of public improvements; and (c) assurance that public improvements required by the City are designed, acquired, installed, constructed, financed, operated, and/or maintained in a timely and cost effective manner by which to protect residents, taxpayers, bondholders, and the City from the risk of development. Each of these concepts is addressed in greater detail in the following paragraphs.

3. Benefits of Multiple District Structure.

a. Coordinated Services. As presently planned, development of the property within the Districts will proceed in phases, each of which will require the extension of public services and public improvements. The multiple district structure also is anticipated to help assure that public improvements and services needed for future build-out of the development will be provided when they are needed, and not sooner. Absent an appropriate mechanism to assure timely completion of future public improvements, the Proponent (as hereinafter defined) might be influenced to cause public improvements to be completed well before they are needed simply to assure that they can be provided with tax-exempt financing. Appropriate development agreements between the Districts and the Proponent will allow the postponement of financing for public improvements which are not needed until well into the future, thereby helping residents and taxpayers avoid the long-term carrying costs associated with financing public improvements before development within the Districts dictates. This, in turn, allows the full costs of public improvements to be allocated over the full build-out of the Districts and helps avoid disproportionate cost burdens being imposed on the early phases of development.

b. Uniform Mill Levy. Allocation of the responsibility for paying Debt (hereinafter defined) will be managed through development of a unified financing plan for necessary public improvements and through development of an integrated operating plan for long-term operations and maintenance. Use of the multiple district structure is intended to provide for a more reasonable capital improvement schedule and more reasonable long-term operations and maintenance responsibilities. Intergovernmental agreements between the Districts are anticipated to implement the Financing Plan in a way that yields roughly uniform mill levies throughout the Districts.

Exhibit B

c. Bond Interest Rates. The multiple district structure is designed to allow the Districts to coordinate the timing and issuance of Debt in such a way as to help increase assurance that public improvements required by the City are designed, acquired, installed, constructed, and/or financed in conformance with the time and in the manner desired by the City. The combination of appropriate management and control of the timing of financing, and the ability of the Districts to obtain attractive interest rates, will benefit residents and taxpayers of the Districts. Consequently, the multiple district structure is designed to lower risk and allow Debt to be issued to finance public improvements at lower rates than if a single special district is organized.

4. Configuration of Districts. District No. 1 initially will contain approximately _____ acres and District No. 2 initially will contain approximately [INSERT NUMBER] acres. District No. 1 is anticipated to contain approximately [INSERT NUMBER] square feet of commercial and industrial development. Housing types within District No. 2 are anticipated to include single-family detached residences, consisting of approximately [INSERT NUMBER] units, and single-family attached residences, consisting of approximately [INSERT NUMBER] units, with average prices of \$[INSERT AMOUNT] for the single-family detached homes and \$[INSERT AMOUNT] for the single-family attached homes. The estimated residential population of the Districts at full build-out is approximately [INSERT NUMBER] persons based up on an assumption of [INSERT NUMBER] individuals per unit.

The “service area” (the area legally permitted to be served) for the Districts will consist of the entire area of the development, which may include property both within and without the Districts’ Boundaries. The Districts will have the power to levy taxes as permitted by law but may only levy taxes within their respective legal boundaries.

The Districts shall not include within any of their respective boundaries any property outside the Districts’ Boundaries without the prior written consent of the City Council. No additional approval from the City Council shall be required for boundary adjustments which involve property within the Districts’ Boundaries. The Districts’ individual boundaries may be adjusted as the Districts deem necessary to account for development pace, infrastructure phasing requirements, and other market conditions; provided, however, without prior written approval of the City Council, no property may be excluded from a District and included into another District where both Districts have issued Debt. In the event the boundaries of any of the Districts overlap, the aggregate mill levy imposition of such overlapping Districts shall not exceed the relevant Debt Mill Levy Cap, O&M Mill Levy Cap or Total Mill Levy Cap, as defined herein. Such adjustments shall be effected pursuant to §§ 32-1-401 and §§ 32-1-501, *et seq.*, C.R.S. Any inclusion of property outside the Districts’ Boundaries without the prior consent of City Council shall be deemed a material modification of the Service Plan.

NOTE: If one or more districts intend to begin with very small district boundaries (sometimes referred to as “postage stamp” districts) with an intent to expand into the boundaries of another district or with the intent to expand into the boundaries of any service plan inclusion area, the proponent must provide an analysis and detailed explanation area for the use of any postage stamp district.

NOTE: If the proponent will be offering a multiple district plan that involves one district acting

Exhibit B

as the controlling district for the other districts, the proponent must provide an analysis and detailed explanation area for the use of a controlling district.

5. Long-Term District Plan. At any time after all Debt instruments have been issued by the Districts and adequate provisions have been made for payment of all of the Districts' Debt (including when all of the Districts' Debt has been paid) and adequate provisions have been made for operation of all of the Districts' public improvements, the electorates of the Districts will have the opportunity to consider the consolidation of the Districts into a single entity, or the dissolution of the Districts in accordance with state law. Within six (6) months following the final issuance of Debt, the Districts' boards will initiate consolidation proceedings and, following the conclusion of such consolidation proceedings, [INSERT NAME] will be served by a single district, the board of directors of which will consist of End Users (as defined herein). Notwithstanding the foregoing, at any time after a District's Debt obligations have been fully discharged and so long as such District has no ongoing operations or maintenance obligations, the City may file an application with the any of the Districts' boards of directors pursuant to § 32-1-701(3), C.R.S., and the applicable District shall thereupon dissolve in a prompt and orderly manner. In such event, the authorized purposes and powers of the District shall automatically be curtailed and expressly limited to taking actions reasonably necessary to dissolve, and the board of directors of the District and the City Council will be deemed to have agreed to the dissolution without election pursuant to § 32-1-704(3)(b) C.R.S., and the District shall thereupon dissolve. In the event no District has issued Debt within five (5) years from the earlier of December 31, [INSERT YEAR] or the date the order and decree organizing the District was recorded in the Larimer County Clerk and Recorder's office, the Districts shall provide an update to City Council on the status of the Districts, including the estimated completion of public improvements to serve the Districts and plans for the issuance of Debt, and upon review, the City Council may either require the Districts to submit an amendment to the Service Plan to reflect the status of public improvements and issuance of Debt as well as any other revisions determined necessary by the City Council, or the City Council may require the Districts to initiate dissolution proceedings, as evidenced by a resolution after a public hearing thereon. In the absence of approval by the City Council of an amendment to the Service Plan that extends the 5-year debt issuance deadline, the authorized purposes and powers of the Districts shall automatically be curtailed and expressly limited to taking actions reasonably necessary to dissolve, and the boards of directors of the Districts and the City Council will be deemed to have agreed to the dissolution without election pursuant to § 32-1-704(3)(b) C.R.S., and the Districts shall thereupon dissolve.

6. City Policy. Notwithstanding anything contained herein to the contrary, the Districts shall be subject to and comply with all applicable provisions of the City's Charter, Code, ordinances, resolutions, rules, regulations, standards, and policies ("City Policy").

7. Dedication of Public Improvements. The Districts shall, in accordance with City Policy, dedicate, or cause to be dedicated on their behalf, all public improvements customarily dedicated to the City. These public improvements include, but are not limited to: public water and wastewater improvements; all public streets and those streets dedicated by plat; public storm drainage and detention improvements; all public sidewalks, as well as all rights-of-way; and easements necessary for access to public improvements. Public improvements which are to be dedicated to the City shall be designed and constructed in accordance with state and federal laws, regulations, and standards, and in accordance with City Policy. It is anticipated that the Districts shall own and maintain or cause to be maintained all neighborhood parks, all recreational public

Exhibit B

improvements, and any potable or non-potable irrigation systems. However, in accordance with City Policy, and upon agreement by the City and the Districts, the City may accept, but shall not be required to accept, dedication of neighborhood parks, open space, recreational public improvements, and potable and non-potable irrigation systems. Any parking lots, parking structures, and other off-street parking facilities shall not be dedicated to the City, but shall be owned, operated, and maintained by the Districts. The Districts shall, in accordance with City Policy, dedicate, or cause to be dedicated on their behalf, any television relay and translator facilities which facilities shall be designed and constructed in accordance with state and federal laws, regulations, and standards, and in accordance with City Policy.

Operations and maintenance of those public improvements dedicated to the City in accordance with City Policy shall rest with the City. However, the Districts shall maintain all landscaping in the public rights-of-way unless such obligation is expressly accepted by the City. In the event the Districts construct or install enhanced amenities which exceed City standards, the City and the Districts shall agree as to the operation and maintenance of such enhanced amenities prior to the City's acceptance of any such public improvements. All park and recreation and landscaping public improvements, including waterways and associated landscaping not dedicated to and accepted by the City, shall be owned, operated, and maintained by the Districts, either directly or by contract with another entity such as a property owners association.

Storm sewer systems, including inlets and underground pipes within public rights- of-way, shall be conveyed to the City for purposes of reporting on Municipal Separate Storm Sewer System (MS4) Reports. The Districts shall retain such easements as are necessary to operate and maintain landscaping and related public improvements associated with such storm drainage and detention areas. The Districts shall further retain such easements as are necessary to operate and maintain all detention ponds, their respective outlet works, water quality components, and outlet pipes from the detention ponds to the point of terminus.

The Districts may, at their sole cost and expense, acquire all property required by the City for the design, acquisition, installation, construction, financing, operation, and/or maintenance of public improvements to be provided by the Districts pursuant to this Service Plan. The Districts may acquire any interests in property, leases, and easements necessary to the functions or the operation of the Districts, except that the Districts shall not pay more than fair market value and reasonable settlement costs for any interest in real property and shall not pay for any interest in real property which must otherwise be dedicated for public use or the Districts' use in accordance with any governmental ordinance, regulation, or law and in accordance with City Policy. Accordingly, the Districts shall not purchase from the Proponent (as defined in Section I.C, below) any interest in real property that is customarily dedicated by developers to the City at no cost to the City and in accordance with City Policy.

In the event that the City determines that public improvements have been constructed in accordance with City Policy and will be accepted by the City in accordance with City Policy, an initial acceptance letter shall be issued by the City specifying that the public improvements dedicated to the City shall be warranted by the District or the Proponent, for a period of two years from the date of such initial acceptance, or such other warranty period as may be required by City Policy. Should the public improvements conform to the City's specifications and standards, the City shall issue a "Final Acceptance" form letter to the Districts at the completion of the applicable warranty period. The City shall not unreasonably withhold or delay Final Acceptance of District

Exhibit B

public improvements, provided that such public improvements are in conformance with City Policy. At the City's discretion, dedication of public improvements may take place after the expiration of the applicable warranty period.

Failure of the Districts to comply with these dedication requirements shall be deemed to be a material modification of this Service Plan. Such dedication requirements shall not be amended without the prior approval of the City Council.

8. Existing Services and Districts. There are currently no other entities in existence in the areas of the proposed development which have the ability and desire to undertake the design, financing, construction, operation, and/or maintenance of the public improvements which are needed for the development. It is also the Proponent's understanding that the City does not consider it feasible or practicable to provide the necessary services and public improvements for the development, as further described herein. Consequently, use of the Districts is deemed necessary for the provision of public improvements in the development.

In order to minimize the proliferation of new governmental structures and personnel, the Districts intend to utilize existing entities, to the extent possible for operations and maintenance of public improvements. Consequently, while the Districts will finance capital public improvements and coordinate the provision of services, the Districts are expected to utilize existing entities and personnel as much as possible. Double taxation can be avoided by the Districts undertaking the necessary capital financing with Debt levies, and existing service providers furnishing day-to-day operations and maintenance with service charges and operating levies. As described above, public improvements, including sanitary sewer and water improvements (other than potable or non-potable irrigation systems), storm drainage, streets, and traffic safety and signalization improvements, will be conveyed to the City by the Districts and subsequent operations and maintenance of these public improvements shall rest with the City. Park and recreation public improvements may be conveyed to the City or may be owned, operated, and maintained by the Districts, as described in greater detail above. The timing for conveyance of the public improvements will be developed by mutual agreement of the Districts and the appropriate party as generally described above and in Section V hereof.

9. Property Owners Associations. Certain services may be provided within the Districts by one or more property owners associations expected to be organized as Colorado non-profit organizations comprised of all or a portion of the property owners in the Districts. The associations may provide architectural control services, community organizations, community events and activities, community marketing, animal control, security, recreational amenity maintenance, common area maintenance, and other programs which may be beyond the scope or financial capacity of the Districts. The Districts, as further provided in Section II.B.10, also have the power and authority, but not the obligation, to provide covenant enforcement and design review services.

B. General Financial Information and Assumptions.

The 2020 certified assessed valuation of all taxable property within the boundaries of the Districts is approximately \$[INSERT AMOUNT]. For purposes of the Financing Plan, the [INSERT YEAR] assessed valuation is pegged at \$[INSERT AMOUNT]. At build-out, in [INSERT YEAR], the total assessed valuation within Districts is estimated to be approximately \$[INSERT

Exhibit B

AMOUNT].

The estimated approximate cost of public improvements necessary to provide access to and appropriate services within the Districts is estimated in Exhibit D. As shown in Exhibit D, the total cost of the anticipated public improvements is \$[INSERT AMOUNT]. Costs are shown for each category of public improvements anticipated to be constructed. The Districts may obtain financing for the capital public improvements needed for the development through the issuance of Debt instruments by the Districts. General obligation Debt will be payable from revenues derived from ad valorem property taxes and from other legally available sources. At the time Debt instruments are proposed to be issued, alternative financing plans may be employed and utilized by the Districts as long as such alternative financing plan does not result in any material economic deviation or a change in the risk to property owners.

The Financing Plan demonstrates that the cost of public improvements described herein can be defrayed with the imposition of reasonable mill levies based on anticipated development within the Districts. The figures contained herein depicting costs of public improvements and operations shall not constitute legal limits on the financial powers of the Districts; provided, however, that the Districts shall not be permitted to issue Debt which is not in compliance with the bond registration and issuance requirements of state law.

Notwithstanding the foregoing or any provision to the contrary contained in this Service Plan, the Districts acknowledge and agree that not all costs of the public improvements necessary to serve the Districts are expected to be financed or reimbursed with the proceeds of District Debt, and that the Proponent is expected to contribute to the costs of financing the design and construction of a portion of such public improvements.

C. Contents of Service Plan.

This Service Plan consists of a preliminary financial analysis and preliminary engineering plan showing how the public improvements and services for the Districts can be provided and financed by the Districts. Numerous items are included in this Service Plan in order to satisfy the requirements of law for formation of special districts. Those items are listed in Exhibit F attached hereto. Each of the requirements of law is satisfied by this Service Plan.

The assumptions contained within this Service Plan were derived from a variety of sources. Information regarding the present status of property within the Districts, as well as the current status and projected future level of similar services, was obtained from the Proponent. Construction cost estimates were assembled by [INSERT NAME], which has experience in the costing and construction of similar public improvements. Legal advice in the preparation of this Service Plan was provided by [INSERT NAME], which represents numerous special districts. Preparation of the Financing Plan was provided by [INSERT NAME]. The proponent of the Districts is [INSERT NAME]. For purposes of this Service Plan, the term "Proponent" shall mean [INSERT NAME], its affiliates, and successors and assigns. As of the date of submission of this Service Plan, the Proponent is the owner of the real property located within the Districts' Boundaries.

Exhibit B

D. Modification of Service Plan.

This Service Plan has been designed with sufficient flexibility to enable the Districts to provide required services and public improvements under evolving circumstances without the need for numerous amendments. While the assumptions upon which this Service Plan are generally based on and reflective of current zoning for the property within the Districts, the cost estimates and Financing Plan are sufficiently flexible to enable the Districts to provide necessary services and public improvements without the need to amend this Service Plan as zoning changes. Modification of the general types of services and public improvements, and changes in proposed configurations, locations, or dimensions of various public improvements shall be permitted to accommodate development needs consistent with then-current zoning for the property and consistent with City Policy.

II. NEED FOR NEW DISTRICTS AND GENERAL POWERS

A. Need for Metropolitan Districts

The property within the Districts' Boundaries currently is undeveloped. There are currently no other governmental entities, including the City, located in the immediate vicinity of the District that consider it desirable, feasible or practical to undertake the planning, design, acquisition, construction, installation, relocation, redevelopment and financing of the public improvements needed for the Districts. The intergovernmental agreements referred to in Section V hereof will address and define the activities to be undertaken by various entities with regard to public improvements. Formation of the Districts is therefore necessary in order for the public improvements required for development to be provided in the most economical manner possible.

B. General Powers of Districts

The Districts shall have the power and authority, but not the obligation, to provide the services and public improvements listed below, both within and outside the Districts' Boundaries in accordance with state law, all of which shall be in conformance with City Policy and/or the standards and specifications of other entities which may operate and maintain the completed public improvements. In accordance with City Policy, the Districts will obtain City approval of civil engineering plans and a permit from the City for construction and installation of all public improvements.

1. Sanitation and Storm Drainage. The Districts shall have the power and authority, but not the obligation, to provide for the design, acquisition, installation, construction, financing, operation, and maintenance of storm or sanitary sewers, or both, flood and surface drainage improvements including, but not limited to, underdrains, culverts, dams, retaining walls, access ways, inlets, detention ponds and paving, roadside swales and curbs and gutters, wastewater lift stations, force mains, and wetwell storage facilities, and all necessary or proper equipment and appurtenances incident thereto, together with all necessary, incidental, and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said public improvements. The Districts shall not design, acquire, install, construct, finance, operate, or maintain any sewer treatment or disposal works or facilities.

2. Water. The Districts shall have the power and authority, but not the obligation, to provide for the design, acquisition, installation, construction, financing, operation, and

Exhibit B

maintenance of a complete potable water and non-potable irrigation water system, including but not limited to, water rights, water supply, transmission and distribution systems for domestic and other public or private purposes, together with all necessary and proper water rights, equipment, and appurtenances incident thereto which may include, but shall not be limited to, transmission lines, distribution mains and laterals, storage facilities, land and easements, together with extensions of and improvements to said systems. The Districts shall not design, acquire, install, construct, finance, operate, or maintain any water well, water treatment, or water storage works or facilities for use as part of a domestic potable water system without prior consent of the City Council; however, nothing in this Section shall be interpreted to limit the Districts' power and authority to acquire water rights and water supply for any potable or non-potable water system.

3. Streets. The Districts shall have the power and authority, but not the obligation, to provide for the design, acquisition, installation, construction, financing, operation, and maintenance of street and roadway improvements, including, but not limited to, curbs, gutters, culverts, storm sewers and other drainage facilities, acceleration and deceleration lanes, detention ponds, retaining walls and appurtenances, as well as sidewalks, bike paths and pedestrian ways, bridges, median islands, parking facilities, paving, lighting, grading, landscaping and irrigation, undergrounding of public utilities, snow removal equipment, or tunnels and other street improvements, together with all necessary, incidental, and appurtenant facilities, land and easements, together with extensions of and improvements to said public improvements.

4. Traffic and Safety Controls. The Districts shall have the power and authority, but not the obligation, to provide for the design, acquisition, installation, construction, financing, operation, and maintenance of traffic and safety protection facilities and services through traffic and safety controls and devices on arterial streets, highways, collector streets, local streets, and all other public streets and roadways as well as other public improvements, including, but not limited to, signalization at intersections, traffic signs, area identification signs, directional assistance and driver information signs, together with all necessary, incidental, and appurtenant facilities, land and easements, together with extensions of and improvements to said public improvements.

5. Parks and Recreation. The Districts shall have the power and authority, but not the obligation, to provide for the design, acquisition, installation, construction, financing, operation, and maintenance of public park and recreation facilities and programs, including, but not limited to, grading, soil preparation, sprinkler systems, playgrounds, playfields, parks, bike and hiking trails, pedestrian trails, pedestrian bridges, open space, picnic areas, swimming pools, basketball courts, fitness centers, clubhouse facilities, volleyball courts, common area landscaping and weed control, outdoor lighting of all types, community events, cultural activities, water bodies, irrigation facilities, and other active and passive recreational facilities, programs, and events, together with all necessary, incidental, and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said public improvements.

6. Transportation. The Districts shall have the power and authority, but not the obligation, to provide for the design, acquisition, installation, construction, financing, operation, and maintenance of public transportation system improvements, including, but not limited to, transportation equipment, park and ride facilities and parking lots, parking structures, roofs, covers, and facilities, including structures for repair, operations and maintenance of such facilities, together with all necessary, incidental, and appurtenant facilities, land and easements, and all

Exhibit B

necessary extensions of and improvements to said public improvements.

7. Television Relay and Translator. The Districts shall have the power and authority, but not the obligation, to provide for the design, acquisition, construction, completion, installation, financing, operation, and maintenance of television relay and translator facilities including, but not limited to, cable television and communication facilities, satellite television facilities, Internet and other telecommunication facilities, together with all necessary, incidental, and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said public improvements.

8. Mosquito and Pest Control. The Districts shall have the power and authority, but not the obligation, to provide for the eradication and control of mosquitoes, rodents, and other pests, including, but not limited to, the elimination or treatment of breeding grounds and purchasing, leasing, contracting, or otherwise using equipment or supplies for mosquito and pest control.

9. Security. The Districts shall have the power and authority, but not the obligation, to furnish security services for any area within the Districts' Boundaries. Prior to furnishing any security services, the Districts shall provide written notification to, consult with, and obtain the prior written consent of the City's Chief of Police and any applicable master association or similar body having authority in its charter or declaration to furnish security services within the Districts' Boundaries.

10. Covenant Enforcement. The Districts shall have the power and authority, but not the obligation, to provide covenant enforcement and design review services within the Districts if the Districts and the governing body of a master association or similar body contract for such services, or if the declaration, rules and regulations, or any similar document containing the covenants to be enforced for the area within the Districts name the Districts as the enforcement or design review entity. The Districts shall have the power to provide covenant enforcement and design review services only if revenues used to provide such services are derived from the area in which the service is furnished.

11. Business Development. The Districts shall have the power and authority, but not the obligation, to provide activities in support of business recruitment, management, and development within the District.

12. Legal Powers. The powers and authorities of the Districts can be exercised by their respective boards of directors to the extent necessary to provide the public improvements and services contemplated in this Service Plan upon determination by the respective boards of directors that such public improvements and services are needed and in the best interests of the applicable District. The foregoing public improvements and services, along with all other activities permitted by law, if determined to be in the best interests of the respective Districts by their respective boards of directors, will be undertaken in accordance with, and pursuant to, the procedures and conditions contained in the Special District Act, other applicable statutes, and this Service Plan, as any or all of the same may be amended from time to time.

13. Other. In addition to the powers enumerated above, the boards of directors of the Districts shall also have the following authority:

Exhibit B

a. To amend this Service Plan as needed, subject to the appropriate statutory procedures, provided that any material modification of this Service Plan shall be made only with the prior written approval of the City Council in accordance with § 32-1-207, C.R.S. Each District shall have the right to amend this Service Plan independent of participation of the other District, provided that a District shall not be permitted to amend those portions of this Service Plan which affect, impair, or impinge upon the rights or powers of the other District without such other District's consent. In the event a modification or amendment to this Service Plan is required or requested, or the City is required or is requested by the Proponent and/or the Districts to act to implement any aspect of the Service Plan then the Proponent and/or the Districts shall be obligated to pay for all costs incurred by the City in engaging consultants to review documents related to such modification, amendment or act, including the engagement of legal and financial consultants; and

b. To forego, reschedule, or restructure the design, acquisition, installation, construction, financing, operation, or maintenance of certain public improvements in order to better accommodate the pace of growth, resource availability, and potential inclusions of property within the Districts, or if the development of the public improvements would best be performed by another entity; and

c. Except as otherwise limited herein, to exercise all necessary and implied powers under Title 32, C.R.S. in the reasonable discretion of the boards of directors of the respective Districts as necessary to further the exercise of the powers expressly authorized by this Service Plan.

14. Condemnation. Absent the prior written approval of the City Council, each District shall not exercise its statutory power of eminent domain or dominant eminent domain for the purpose of condemning property outside of such District's portion of the Districts' Boundaries, including any property owned by the City. Additional approval from the City Council shall not be required prior to any District's exercise of its statutory power of eminent domain or dominant eminent domain with respect to property within such District's portion of the Districts' Boundaries; provided, however, that such District shall not exercise its statutory power of dominant eminent domain to condemn property owned by the City, and located within such Districts' portion of the Districts' Boundaries, without the prior written consent of the City Council.

15. Subdistrict Limitation. Absent the prior written approval of the City Council, the Districts shall not divide into one or more subdistricts pursuant to Section 32-1-1101(1)(f), C.R.S.

16. Special Assessments. Absent the prior written approval of the City Council, the Districts may not establish any special improvement districts pursuant to Section 32-1-1101.7, C.R.S., nor shall the Districts levy any special assessments pursuant to Section 32-1-1101(1)(g), C.R.S.

III. DESCRIPTION OF PUBLIC IMPROVEMENTS

The Districts will be permitted to exercise their statutory powers and their respective authorities

Exhibit B

as set forth herein to design, acquire, install, construct, finance, operate, and maintain the public improvements described in Section II of this Service Plan either directly or by contract. Depictions of the public improvements anticipated to be provided by the Districts are set forth in Exhibit C, attached hereto and incorporated herein by this reference. Where appropriate, the Districts may contract with various public and/or private entities to undertake such functions. The Districts also may petition existing governmental entities for inclusion of part or all of the property within the Districts into an existing service area. There are currently no other entities within the boundaries of the proposed Districts providing the following services, nor shall the services provided by the Districts duplicate or interfere with those services provided by the City. Public improvements which are to be dedicated to the City shall be designed and constructed in accordance with City Policy and applicable state and federal laws, regulations, and standards.

Detailed information for each type of public improvement needed for the Districts is set forth in the following pages. It is important to note that the preliminary layouts contained in this Section and in Exhibit C are conceptual in nature only and that modifications to the type, configuration, and location of public improvements will be necessary as development proceeds. All public improvements will be designed in such a way as to assure that the public improvement and service standards will be compatible with those of the City and of other municipalities and special districts which may be affected thereby. To the extent required by City Policy, the Districts will provide letters of credit or other surety required by City Policy to the City to provide security for public improvements to be constructed by the Districts.

The following Sections contain general descriptions of the contemplated public improvements which will be financed by the Districts.

A. General

The design, acquisition, installation, construction, financing, operation, or maintenance of all planned public improvements will be scheduled to allow for proper sizing and phasing to keep pace with the need for service. All descriptions of the specific public improvements to be designed, acquired, installed, constructed, financed, operated, or maintained, and their related costs, are estimates only and are subject to modification as engineering, development plans, economics, requirements of the City, and construction design or scheduling may require. As depicted herein, many of the public improvements permitted to be designed, acquired, installed, constructed, financed, operated, or maintained by the Districts are anticipated to be necessary in the initial years of development.

B. General Design Standards

Any public improvements determined by the respective Districts' boards of directors to be designed, acquired, installed, constructed, financed, operated, or maintained by the Districts and that are within the municipal boundaries of the City, including without limitation, those specifically listed herein, must be designed and installed by the Districts in conformance with current standards adopted by the Districts and in accordance with City Policy. The intergovernmental agreements discussed in Section V hereof describe the procedures which will be followed to assure compliance with the requirements of this Service Plan.

1. Wastewater System. The Districts have the power and authority, but not the

Exhibit B

obligation, to provide for the design, acquisition, installation, construction, financing, operation, and maintenance of sanitary sewer lines, and any sanitary sewer lines constructed by the Districts will be designed and installed to conform to the current standards and recommendations of the Colorado Department of Public Health and Environment, City Policy, the rules and regulations adopted by the Districts or other affected municipalities, and sound engineering judgment.

All major elements of the sanitary sewer lines required for proper operation may be designed, acquired, installed, constructed, financed, operated, or maintained by the Districts. Operations and maintenance of any wastewater facilities constructed by the Districts will be provided by the Districts until such facilities are dedicated to the City in accordance with the terms of this Service Plan and City Policy.

2. Storm Drainage

a. Generally. The Districts have the power and authority, but not the obligation, to design, acquire, install, construct, finance, operate, and maintain the necessary storm drainage system to serve the development. The proposed elements of the storm drainage system will provide a network of underdrains, culverts, roadside swales, pipes, detention and water quality ponds, inlet and outlet structures, and curbs and gutters designed and installed in accordance with City Policy and sound engineering judgment. The Districts are authorized to design, acquire, install, construct, finance, operate, and/or maintain all public storm drainage improvements as needed to serve the property within the Districts. Specific public drainage improvements within individual development parcels may ultimately be designed, acquired, installed, constructed, financed, operated, and/or maintained by the Proponent or individual developers and/or builders as specified by future approved development plans.

All major public storm drainage improvements ultimately constructed by the Districts must be designed to conform to the standards and recommendations for public storm drainage improvements pursuant to City Policy, the rules and regulations of the Districts, and standards of other affected jurisdictions.

b. Culverts. Culverts, if required by City policy, will be installed under all roadways that intersect storm drainage channels. Culverts will be designed to pass flows as required by City Policy, and may include headwalls, wing walls, inlet and outlet structures, and riprap protection to enhance their hydraulic capacity and reduce bank or channel erosion.

For any public storm drainage improvement constructed by the Districts, an overall drainage plan will be developed that will identify the major public improvements necessary to convey the storm runoff from the Districts. This plan will include all public improvements required to convey the flows generated within the Districts. This plan must maintain the flexibility to modify the major drainage public improvements as more detailed information is generated during the design of the individual phases. The overall drainage plan will include the utilization of storm sewers, drainage channels, streets, gutters, culverts, and ponds.

3. Potable Water System.

a. Overall Plan. The Districts have the power and authority, but not the

Exhibit B

obligation, to design, acquire, install, construct, finance, operate, and maintain a complete potable water system subject to the limitations in Section II.B.2 above. The water system will be comprised of a water distribution system consisting of buried water mains, fire hydrants, and related appurtenances located predominately within the Districts' Boundaries. Pursuant to Section II.B.2, the District has the power and authority, but not the obligation, to acquire water rights and water supply. When design, acquisition, installation, construction, and/or financing are finalized, the system will serve each development tract from adjacent streets and roads. All major elements of the water facilities ultimately constructed by the Districts will be designed and installed in accordance with City Policy. Operations and maintenance of all water facilities ultimately constructed by the Districts will be provided by the Districts until such public improvements are dedicated to the City in accordance with the terms of this Service Plan and City Policy.

b. Design Criteria. The proposed domestic potable water distribution system is expected to include pressurized water mains. Any water system components constructed by the Districts will be constructed and installed in accordance with City Policy and applicable standards of all entities with jurisdiction over the Districts. The water system will also be designed based on applicable fire protection requirements.

4. Non-Potable Irrigation Water System.

a. District Authority. The Districts have the power and authority, but not the obligation, to provide for the design, financing, acquisition, installation, operation, construction, operation, and maintenance of a non-potable irrigation water system, including but not limited to, water rights, water supply, treatment, storage, transmission and distribution systems for public or private purposes, together with all necessary and proper reservoirs, treatment works and facilities, wells, water rights, equipment and appurtenances incident thereto which may include, but shall not be limited to, transmission lines, distribution mains and laterals, storage facilities, land and easements, together with extensions of and improvements to such public improvements within and without the boundaries of the Districts.

b. Overall Plan. The Districts may, in the discretion of their respective boards of directors, choose to provide for a non-potable irrigation water system, which may ultimately serve both public and private property, but the Districts shall not be obligated to provide such a system. If ultimately constructed, the non-potable irrigation water system will be constructed in accordance with City Policy and financed through the Districts to service the greenbelts, open spaces, landscaping, parks, and common areas within the Districts. In addition, the Districts may choose to design, acquire, install, construct, finance, operate, or maintain a non-potable irrigation water system designed to serve individual units and users within the development. If a non-potable irrigation water system is provided, the Districts shall have the right to purchase any and all water rights and water supply necessary for proper operation of the system from the Proponent or any other entity or individual as the Districts deem appropriate.

5. Street System and Traffic Safety

a. General. The Districts have the power and authority, but not the obligation, to design, acquire, install, construct, finance, operate, and maintain a street and roadway system to serve the development. Any existing and proposed elements of the street system will provide a

Exhibit B

network of arterial streets, collector streets, local streets, and other public streets and roadways to serve the flow of traffic within the Districts. Any facilities, traffic controls, signals, and signage constructed by the Districts will be designed and installed in accordance with City Policy and sound engineering judgment.

b. Streets. Any arterial streets, collector streets, local streets, and other public streets and roadways designed, acquired, installed, constructed, financed, operated, or maintained by the Districts will be designed, located, and installed to conform to the standards and recommendations of the Colorado Department of Transportation (where applicable), City Policy, and the rules and regulations adopted by the Districts.

Traffic controls and signage may be provided along arterial streets, collector streets, local streets, and other public streets and roadways to enhance the flow of traffic within the project. Streetlights may be designed, acquired, installed, constructed, financed, operated, and maintained by the Districts along all public streets and roadways.

c. Landscaping. Landscaping may be installed by the Districts along the roadway rights-of-way and trail easements in accordance with City Policy. The Districts may also install and maintain landscaped highlights along the internal streets and entry features at major entrances.

d. Signals and Signage. Signals and signage may be designed, acquired, installed, constructed, financed, operated, and maintained by the Districts as required by traffic studies, the Districts' rules and regulations, City Policy, and the Colorado Department of Transportation, if applicable. Additional signage may be installed as needed to accommodate development.

6. Park and Recreation. The Districts have the power and authority, but not the obligation to, provide for the design, acquisition, installation, construction, financing, operation, and maintenance of public park and recreation facilities and programs. Any park and recreational public improvements and/or services that the Districts determine to undertake must be constructed in accordance with plans and specifications approved by the City. All park and recreational public improvements ultimately constructed by the Districts will be constructed in accordance with engineering and design requirements appropriate for the surrounding terrain, and shall be compatible with and comply with City Policy or the standards of other local public entities, as applicable, and per approved plans.

C. Services of Districts

The Districts will require operating funds to plan and cause the public improvements authorized herein to be completed. Such costs are expected to include reimbursement of organizational, legal, engineering, accounting, and Debt issuance costs, and costs related to compliance with state reporting and other administrative requirements. An overall Financing Plan showing the anticipated operating costs for the first budget year and thereafter, phasing of Debt issues, and related matters is attached as Exhibit E. Operating costs may increase depending upon the final design of the public improvements and the entity designated responsible for operations and maintenance of the public improvements as set forth in Section III. Notwithstanding the

Exhibit B

projections set forth in the Financing Plan, such amounts are therefore subject to increase and may be paid from any legally available revenues, including, but not limited to, fees or charges legally imposed by the Districts. Organizational costs and capital costs expended for public improvements prior to the date of organization, if any, may be reimbursed to the Proponent by the Districts out of their initial revenue sources including Debt issue proceeds. The Districts may acquire completed public improvements from the Proponent with Debt proceeds. Certain public improvements may be required to be conveyed by the Districts to the City. Alternatively, the Proponent may dedicate certain public improvements directly to the City, with reimbursement to the Proponent to come from the Districts. The Districts' first year's collective operating budget is estimated to be approximately \$[INSERT AMOUNT].

As discussed herein, it is anticipated that the Districts will enter into one or more intergovernmental agreements which are expected to provide that the obligation of a District to pay another District for operating expenses incurred for the provision of services may constitute "debt" of the paying District. To the extent that such obligation does, it shall not count against the Debt Limit for Service Plan purposes. Any intergovernmental agreement between the Districts shall terminate within forty-five (45) years of the date the initial Debt of the Districts is issued, unless the term of such intergovernmental agreement is extended by any paying District that is a party thereto upon approval by a majority of the board(s) of directors of such Districts, at such time as a majority of the directors on the respective board(s) of directors are End Users, as that term is defined in Section VII.B. below, and where the majority of End Users on the respective board(s) of directors approve of such extension. The District shall be permitted to borrow its initial operations and maintenance funds from private entities until such time as it is able to generate operating revenues.

D. Estimated Cost of Public Improvements

The estimated cost of the public improvements to be designed, acquired, installed, constructed, and/or financed by the Districts are shown in Exhibit D and include contingencies, supervision for the administrative oversight process including necessary approvals, and construction management for onsite management of ongoing capital construction.

IV. DEVELOPMENT PROJECTIONS

The absorption rates for the development are incorporated into the Financing Plan attached hereto.

V. PROPOSED AGREEMENTS

A. Intergovernmental Agreements Between the Districts

As noted in this Service Plan, one or more intergovernmental agreements are expected to be entered into between the Districts which are designed to ensure that the public improvements described within this Service Plan are designed, acquired, installed, constructed, financed, operated, and/or maintained in the manner and at the time contemplated herein. The relationship between the Districts, including the means for designing, acquiring, installing, constructing, financing, operating, and/or maintaining the public improvements and services needed to serve the development, will be established by means of these intergovernmental agreements. The

Exhibit B

intergovernmental agreements contemplated herein will establish procedures and standards for the approval of the design of public improvements, transfer of funds between the Districts, and operation and maintenance of the public improvements. These intergovernmental agreements will also provide for coordinated administration of management services for the Districts.

B. Additional Intergovernmental Agreements and Agreements with Private Entities

To the extent practicable, the Districts may enter into additional intergovernmental and private agreements to better ensure long-term provision and effective management of the public improvements and services. Agreements may also be executed with property owners associations and other service providers. Any additional intergovernmental agreements are authorized pursuant to the Colorado Constitution, Article XIV, § 18 (2)(a) and § 29-1-201, *et seq.*, C.R.S.

VI. OPERATION AND MAINTENANCE COSTS

Estimated costs for operation and maintenance functions are presented in the Financing Plan at Exhibit E.

VII. FINANCING PLAN

The Financing Plan demonstrates one method that might be used by the Districts to finance the cost of public improvements. Due to the support expected to be received from the Proponent, the Financing Plan demonstrates that the cost of public improvements described herein can be provided with reasonable mill levies assuming reasonable increases in assessed valuation and assuming the rate of build-out estimated in the Financing Plan.

A. Debt Limitation

To enable the Districts to design, acquire, install, construct, finance, operate, and/or maintain the public improvements contemplated by this Service Plan, it is anticipated that the Districts will incur Debt. For purposes of this Service Plan, "Debt" shall be defined to mean principal on general obligation or revenue bonds, notes, contracts, agreements, certificates of indebtedness, interim certificates or receipts, other multiple fiscal year obligations, including, but not limited to, loans from financial institutions, or other documents or instruments evidencing loans or advances to the Districts. The maximum amount of Debt which may be incurred by the Districts collectively shall be \$[INSERT AMOUNT] ("Debt Limit"); provided, however, that for purposes of the Debt Limit, so as to avoid the "double counting" of Debt, any pledge by a District to remit certain revenues to another District for application to the payment of bonds issued by the receiving District shall not count against the Debt Limit, it being the intention that only the total amount of Debt issued by the issuing District count against the Debt Limit. Debt shall be permitted to be issued on a schedule and in such year or years as the Districts' boards determine shall meet the needs of the Financing Plan referenced above and phased to serve development as it occurs. All bonds and other Debt issued by the Districts may be payable from any and all legally available revenues of the Districts, including general ad valorem taxes to be imposed upon all taxable property within the Districts. The Debt that the Districts may issue for public improvements is supported by the Financing Plan, attached hereto as Exhibit E. The Financing Plan sets forth reasonably estimated projections regarding issuance of Debt and such projections shall not serve as limitations on the issuance of Debt except as otherwise expressly set forth in this Service Plan.

Exhibit B

The Debt Limit may only be increased with the prior approval of the City Council as evidenced by a resolution after a public hearing thereon, and any issuance of Debt in violation of this provision shall be deemed to be a material modification of the Service Plan.

Debt may be restructured to accomplish a refunding or reissuance, provided the principal amount of Debt does not exceed the Debt Limit set forth above. So as to avoid the “double-counting” of any Debt, any refunded Debt shall not count against the Debt Limit, but all Debt issued for the purpose of refunding existing Debt shall count against the Debt Limit.

B. Approval of Debt Issuance

It is currently anticipated that the Districts will issue Debt in amounts sufficient to permit the Districts to construct all or a portion of the needed public improvements. Alternatively, the Districts may issue revenue bonds with repayment to come from the ad valorem taxes collected by one or more of the Districts, and/or any other legally available source, to permit construction of the needed public improvements. The timing of issuance of Debt as set forth in the Financing Plan may be adjusted from time to time to meet development requirements. Despite the amount of Debt authorization voted by the Districts’ electorate, the Debt Limit serves as the ultimate cap for the Debt the Districts shall incur. At least seven (7) days prior to the issuance of any Debt, the Districts must provide the City Attorney with an opinion prepared by nationally recognized bond counsel evidencing that the Districts have complied with all Service Plan requirements relating to such Debt. Each Debt instrument issued by the Districts including, but not limited to, each issuance of bonds, loans and other multiple fiscal year financial obligations and each refunding of any Debt instrument, and each Debt instrument evidencing the Districts’ repayment obligations to the Proponent for advances made to the Districts and each refunding thereof, shall provide that the Districts’ 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 obligations are paid in full. In addition, all Debt instruments for capital improvements, regardless of form, evidencing any repayment obligations to the Proponent entered into by any of the Districts shall accrue simple interest at a fixed rate not to exceed the prime interest rate (as reported on the date of issuance by *The Wall Street Journal*) plus 3% (“Total Interest Rate”) up to a maximum Total Interest Rate of 8.5%. Advances from the Proponent to the Districts for operations and maintenance expenses shall not accrue interest and repayment of the same shall be subject to annual appropriations by the Districts’ Boards of Directors. Regardless of the date of issuance or any refinancing, all Debt of the Districts must be repaid within forty-five (45) years of the date the initial Debt is issued and any obligations outstanding after such date will be extinguished. Notwithstanding the foregoing, this 45-year Debt discharge and extinguishment date may be extended for a District upon approval by a majority of the board of directors of such District, at such time as a majority of the directors on the respective board of directors are End Users, as that term is defined below, and where the majority of End Users on the respective board of directors approve of such extension. Any other extension of this 45-year Debt discharge and extinguishment date shall be considered a material modification of the Service Plan. An “End User” shall mean any resident of the applicable District or any owner of taxable property within the applicable District who holds title to such property in his or her individual capacity and is an “eligible elector” of the applicable District, as that term is defined in § 32-1-103(5), C.R.S. End Users shall specifically exclude any entity that constructs homes or commercial structures with the intention of selling to others.

Exhibit B

Excluding any refunding of Debt, the Districts shall not issue any Debt after ten (10) years from the earlier of December 31, 2021 or the date the order and decree organizing the Districts was recorded in the Larimer County Clerk and Recorder's office, except with the prior approval of the City Council as evidenced by a resolution after a public hearing thereon, and any issuance in violation of this provision shall be deemed a material modification of the Service Plan. The City Council may approve the issuance of Debt after such time for valid purposes including, without limitation, Debt refinancing or financing of later-constructed improvements. Notwithstanding the foregoing, this 10-year Debt issuance limit may be extended for a District upon approval by a majority of the board of directors of such District, at such time as a majority of the directors on the respective board of directors are End Users and where the majority of End Users on the respective board of directors approve of such extension.

In addition to the foregoing, no District shall be authorized to issue Debt until: (1) the Districts or Proponent have reimbursed the City for all the charges and fees it has incurred with its bond counsel and public finance consultant relating to their review of this Service Plan and formation of the Districts; (2) the owner of property in District No. 2 executes an Agreement Regarding District Disclosures with the City, in the form attached hereto as Exhibit G and incorporated herein by this reference, and records such agreement with the Larimer County Clerk and Recorder's Office, which agreement shall require the provision of a General Disclosure and Common Questions Regarding [INSERT NAME] Metropolitan District No. 2 to all prospective purchasers of residential units in the District prior to any such purchaser entering into a contract to purchase a residential unit; and (3) the Districts have recorded with the Larimer County Clerk and Recorder's Office a separate Notice of Inclusion in the [INSERT NAME] Metropolitan District Nos. 1 and 2 and Possible Property Tax Consequences that identifies the existence and effect of the District, in the form attached hereto as Exhibit H and incorporated herein by this reference. It is acknowledged that the property in District No. 1 is anticipated to be developed for commercial uses and therefore, no Agreement Regarding District Disclosures or provision of a General Disclosure and Common Questions Regarding [INSERT NAME] Metropolitan District No. 1 is required at this time. However, if property in District No. 1 will be developed for residential uses, the owner of property in District No. 1 shall execute and record such documents as described above in the form attached hereto as Exhibit G. In addition to any other annual notice provided by the respective board of directors, each District shall also comply with the notice requirements of § 32-1-809, C.R.S., by maintaining an official District website (providing a link to the District's website on the official website of the Division of Local Government) and posting such notice on the District's website.

C. Identification of District Revenue

All Debt issued by the Districts may be payable from any and all legally available revenues of the Districts, including general ad valorem taxes to be imposed upon all taxable property within the Districts, subject to the following limitations:

1. The maximum mill levy District No. 1 and District No. 2 each may impose for the payment of principal of and interest on Debt shall be [INSERT MILL LEVY AMOUNT LESS THAN OR EQUAL TO 50 MILLS] (the "Debt Mill Levy Cap"). Each District also may impose a mill levy to defray operations and maintenance expenses of each District, provided that shall not exceed [INSERT MILL LEVY AMOUNT LESS THAN OR EQUAL TO 10 MILLS] for each District (the "O&M Mill Levy Cap"). In no event shall proceeds of the operations and maintenance mill levy of any District be used to reimburse the Proponent for advances made by the Proponent

Exhibit B

for capital expenses. Notwithstanding the individual Debt Mill Levy Caps and O&M Mill Levy Caps, the total mill levy for District No. 1 and District No. 2, individually, may not exceed [INSERT TOTAL OF THE DEBT MILL LEVY CAP AND O&M MILL LEVY CAP ADDED TOGETHER] mills in any given year (the “Total Mill Levy Cap”). The Debt Mill Levy Cap, the O&M Mill Levy Cap, and the Total Mill Levy Cap shall be subject to adjustment if the laws of the state change with respect to the assessment of property for taxation purposes, the ratio for determining assessed valuation changes, or other similar changes occur after January 1, [INSERT YEAR]. In any of these events, Debt Mill Levy Cap, the O&M Mill Levy Cap, and the Total Mill Levy Cap shall be automatically adjusted so that the collective tax liability of property owners within the Districts neither increases nor decreases as a result of any such changes, thereby maintaining a constant level of tax receipts of the Districts and overall tax payments from property owners. The Districts shall not impose or attempt to impose a mill levy on any of the property conveyed or dedicated to the City as provided in this Service Plan. Except as otherwise provided in this Section VII.C.1, the Debt Mill Levy Cap, the O&M Mill Levy Cap, and the Total Mill Levy Cap shall not be increased unless first approved by the City Council and as permitted by statute. Any such increase made without such approval shall be considered a material modification of the Service Plan.

Once any District has set an initial debt mill levy (Initial Debt Mill Levy) and an initial operations and maintenance mill levy (Initial O&M Mill Levy), any one-time adjustment or aggregate adjustments to either the Initial Debt Mill Levy or the Initial O&M Mill Levy mill levy of five (5) mills or more shall require written notification to the City and in-person attendance at a City Council regular or special meeting to provide the City Council with information regarding the basis for the mill levy change prior to the change occurring; provided that this provision shall not be applicable to mill levy changes that are the direct result of adjustments based on state law changes with respect to the assessment of property for taxation purposes that affects the ratio for determining assessed valuation change.

Any Debt issued by the Districts must be issued in compliance with the requirements of § 32-1-1101(6), C.R.S., as amended. The Districts anticipate issuing Debt that is exempt from registration by virtue of being credit enhanced or issued exclusively to “accredited investors” as such term is defined under sections 2(a)(15) and 4(a)(2) of the Federal Securities Act of 1933 or to a “developer” in accordance with the provisions of the Securities Commissioner of Colorado’s Interpretative Order No. 06-IN-001. This will ensure that appropriate development risk associated with current and future development within the development remains with the Proponent until such time as the assessed valuation within the Districts is sufficient to support the Debt service requirements of the Districts with the imposition of the maximum allowable Total Mill Levy Cap. It is anticipated that the initial funding for both capital and ongoing administrative requirements of the Districts will be provided by the Proponent in the form of advances in exchange for bonds or for promissory notes, short-term reimbursement agreements, or other acceptable agreements, which will provide for repayment to the Proponent from Debt proceeds or other legally available sources of revenue, and the refinancing of the same shall not require prior City approval. Advances from the Proponent to the Districts for operations and maintenance expenses shall not accrue interest, and repayment of such advances shall be subject to annual appropriations by the Districts’ Boards of Directors.

2. In addition to revenues from the Districts’ mill levies and revenues described in Section VII.C.4 below, the Districts may receive revenue from specific ownership taxes,

Exhibit B

Proponent advances, interest income, oversizing and reimbursement agreements with the City or other entities, and any other legally permissible sources. Revenues from these additional sources, including, but not limited to specific ownership taxes, may be used for operations and maintenance expenses, pledged to the payment of Debt or a combination of the two, as determined by the Districts.

3. In the event the Proponent enters into an oversizing and/or reimbursement agreement with the City, the following shall apply:

a. If the Districts purchase from the Proponent public improvements designed, acquired, installed, constructed, or financed pursuant to an oversizing and/or reimbursement agreement with the City, and the Proponent has obtained reimbursement from the City at the time of the Districts' purchase, the purchase price of the public improvements to be paid by the Districts shall be the costs of the public improvements as certified by the Districts' engineer less the amount of the reimbursement received by the Proponent; or

b. If the Districts purchase from the Proponent public improvements designed, acquired, installed, constructed, or financed pursuant to an oversizing and/or reimbursement agreement with the City, and the Proponent has not yet obtained reimbursement from the City at the time of the Districts' purchase, the purchase price of the public improvements to be paid by the Districts shall be the costs of the public improvements as certified by the Districts' engineer, and the Proponent shall immediately assign to the Districts any and all rights to reimbursement from the City for said public improvements.

c. The District shall have the power and authority, but not the obligation, to impose fees, rates, tolls, penalties, or charges for services, programs, or facilities furnished by the Districts as authorized by § 32-1-1001(1)(j), C.R.S.

The Districts shall have the authority to use all available revenues authorized by the Service Plan in any legally permissible manner.

D. Security for Debt

The Districts shall not pledge any revenue or property or other assets of the City as security for the indebtedness described and contemplated herein.

E. Filings with City and Quinquennial Review

Pursuant to § 32-1-1101.5, C.R.S., and at the City's request, the Districts shall submit an application for a quinquennial finding of reasonable diligence in every fifth (5th) calendar year after the calendar year in which the Districts' ballot issue to incur general obligation indebtedness was approved by its eligible electors. In the event that the City determines that a public hearing is necessary on such application, such hearing shall be held in accordance with § 321-1101.5(2)(a), C.R.S., and a determination for continuation of the authority of the boards of the Districts to issue any remaining authorized general obligation debt shall be made at that time. At the City's sole discretion, the Districts shall pay an administrative fee for any review required by the City under this Section.

Exhibit B

F. Other Financial Information

The balance of the information contained in this Section VII is preliminary in nature. Upon approval of this Service Plan, the Districts will continue to develop and refine cost estimates contained herein and prepare for Debt issuances. All construction cost estimates assume construction in compliance with applicable local, state, and/or federal requirements.

In accordance with Section VII.C.4 above, in addition to ad valorem property taxes, and in order to offset the expenses of the anticipated construction as well as operations and maintenance, the Districts will also rely upon various other revenue sources authorized by law. These will include the power to assess fees, rates, tolls, penalties, or charges as provided in § 32-1-1001(1)(j), C.R.S., as amended from time to time. The Districts shall not be required to obtain any additional City Council approval prior to assessing any fees, rates, tolls, penalties, or charges authorized pursuant to § 32-1-1001(1)(j), C.R.S., as the same may be amended from time to time.

The estimated costs of the public improvements permitted to be designed, acquired, installed, constructed, and/or financed by the Districts, including the costs of engineering services, legal services, administrative services, initial proposed indebtedness, and other major expenses related to the public improvements to be designed, acquired, installed, constructed, and/or financed, are set forth in Exhibit D of this Service Plan. The maximum net effective interest rate on Debt shall be 18%. The proposed maximum underwriting discount shall be 5%. The Districts' Debt, when issued, shall also be subject to the limits of Section VII.B. hereof regarding final maturity.

The estimated costs of the organization of the Districts, including legal, engineering, administrative, and financial services, are expected to be approximately \$[INSERT AMOUNT]. Organizational costs will be reimbursed to the Proponent by the Districts out of their initial revenue sources including Debt issue proceeds.

The Financing Plan does not project any significant accumulation of fund balances which might represent receipt of revenues in excess of expenditures under Colorado Constitution, Article X, § 20 ("TABOR"). To the extent annual District revenues exceed expenditures in this manner, the Districts will comply with the provisions of TABOR and either refund the excess or obtain voter approval to retain such amounts. Initial spending and revenue limits of the Districts, as well as mill levies, will be established by elections which satisfy TABOR requirements.

No District is authorized to pay compound interest on (1) any District-related loan from a developer of one or more of the Districts or from an affiliate of the developer, or (2) any District-related debt purchased by a developer of one or more of the Districts or by an affiliate of the developer.

The website for each District must have a calculator that is easily accessible to individuals that calculates the total property tax and district or property owners association fee obligation on an annual basis within the District based on an individual entering a mortgage amount and interest rate.

Exhibit B

Once a District service plan is approved by the City Council, the District shall be responsible for any costs incurred by the City for legal or financial review of any further modification to the service plan that is subject to City Council approval.

G. Enterprises

The Districts' boards of directors may not set up enterprises to manage, fund, or operate such public improvements, services, or programs as may qualify for enterprise status using the procedures and criteria provided by TABOR without the prior written consent of the City. To the extent provided by law, any enterprise created by the Districts will remain under the control of the boards of directors of the Districts. Additionally, the Districts and their respective boards may not establish corporations without the prior written consent of the City.

H. Conservation Trust Fund

The District shall claim no entitlement to funds from the Conservation Trust Fund, the Great Outdoor Colorado Fund, or any other grant moneys for which the City may be eligible, without the prior written consent of the City.

I. Elections; Other Requirements

All elections will be conducted as provided by the Uniform Election Code of 1992 (as amended), including the Local Government Election Code and TABOR. The election questions may include TABOR ballot issues and questions as well as any other topics authorized by law.

Ballot issues may be consolidated as approved in court orders. Future elections to comply with TABOR are anticipated and may be held as determined by the elected boards of directors of the Districts.

VIII. ANNUAL REPORT

A. General

The Districts shall be responsible for submitting an annual report to the City not later than March 1 of each calendar year that the Districts are in existence.

B. Reporting of Significant Events

The annual report required by this Section VIII shall include information as to any of the following events that occurred during the preceding calendar year:

- (1) Boundary changes made or proposed.
- (2) Copies of all intergovernmental agreements entered into or proposed to be entered into, including amendments.
- (3) Changes or proposed changes in the Districts' policies.
- (4) Changes or proposed changes in the Districts' operations.
- (5) Any changes in the financial status of the Districts, including revenue projections or operating costs.

Exhibit B

- (6) A summary of any litigation involving the Districts.
- (7) Proposed plans for the year immediately following the year summarized in the annual report.
- (8) Construction contracts entered into.
- (9) Status of the Districts' public improvement construction schedule.
- (10) A list of all public improvements constructed by the Districts that have been dedicated to and accepted by the City.
- (11) If requested by the City, copies of minutes of all meetings of the Districts' boards of directors.

C. Summary of Financial Information

In addition, the annual report shall include a summary of the following information:

- (1) Assessed value of taxable property within the Districts' Boundaries.
- (2) Total acreage of property within the Districts' Boundaries.
- (3) Audited financial statements of the Districts, to the extent audit financial statements are required by state law.
- (4) Annual budget of the Districts.
- (5) Resolutions regarding issuance of Debt or other financial obligations, including relevant financing documents, credit agreements, and official statements.
- (6) The Districts' Debt (stated separately for each class of Debt).
- (7) The Districts' Debt service (stated separately for each class of Debt).
- (8) The Districts' tax revenue.
- (9) Other revenues of the Districts.
- (10) The Districts' public improvements expenditures.
- (11) Other expenditures of the Districts.

IX. CONCLUSIONS

It is submitted that this Consolidated Service Plan for [INSERT NAME] Metropolitan District Nos. 1 and 2, as required by § 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 served by the Districts;
- 2. The existing service in the area to be served by the Districts is inadequate for present and projected needs;
- 3. The Districts are capable of providing economical and sufficient service to the area within their boundaries;
- 4. The area included in the Districts will have the financial ability to discharge the proposed indebtedness on a reasonable basis;
- 5. Adequate service is not, and will not be, available to the area through the City, or other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a comparable basis;

Exhibit B

6. The facility and service standards of the Districts are compatible with the facility and service standards of the City within which the Districts are to be located;

7. The proposal is in substantial compliance with a master plan adopted by the City pursuant to § 31-23-206, C.R.S.;

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

9. The creation of the Districts is in the best interests of the area proposed to be served.

Therefore, it is requested that the Loveland City Council, which has jurisdiction to approve this Service Plan by virtue of §§ 32-1-204.5, *et seq.*, C.R.S., as amended, adopt a resolution approving this “Consolidated Service Plan for [INSERT NAME] Metropolitan District Nos. 1 and 2” as submitted.

Respectfully submitted,

Exhibit B

EXHIBIT A
Map of Districts' Boundaries

Exhibit B

EXHIBIT B **Legal Description of Districts' Boundaries**

Exhibit B

EXHIBIT C
Public Improvements Diagrams

Exhibit B

EXHIBIT D
Cost Estimates

Exhibit B

EXHIBIT E **Financing Plan**

Exhibit B

EXHIBIT F **Statutory Contents of this Service Plan**

1. A description of the proposed services;
2. A financing plan showing how the proposed services are to be financed;
3. A preliminary description of how the proposed services are to be provided;
4. A map of the Districts' Boundaries and an estimate of the population and valuation for assessment of the Districts;
5. A general description of the facilities to be constructed and the standards of such construction, including a statement of how the facility and service standards of the Districts are compatible with facility and service standards of the City and of municipalities and special districts which are interested parties pursuant to §32-1-204(1), C.R.S.;
6. A general description of the estimated cost of acquiring land, engineering services, legal services, administrative services, initial proposed indebtedness and estimated proposed maximum interest rates and discounts, and other major expenses related to the organization and initial operation of the Districts;
7. A description of any arrangement or proposed agreement with any political subdivision for the performance of any services between the Districts and such other political subdivisions;
8. Information satisfactory to establish that each of the following criteria as set forth in §32-1-203, C.R.S., has been met:
 - a. That there is sufficient existing and projected need for organized service in the area to be served by the Districts;
 - b. That the existing service in the area to be served by the Districts is inadequate for the present and projected needs;
 - c. That the Districts are capable of providing economical and sufficient service to the area within their boundaries;
 - d. That the area to be included in the Districts has, or will have, the financial ability to discharge the proposed indebtedness on a reasonable basis;
 - e. That adequate service is not, or will not be available to the area through the City, other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a comparable basis;
 - f. That the facility and service standards of the Districts are compatible with the facility and service standards of the City within which the Districts are to be located;
 - g. The proposal is in substantial compliance with any master plan adopted

Exhibit B

pursuant to § 31-23-206, C.R.S.;

h. That the proposal is in compliance with any duly adopted city, county, regional, or state long-range water quality management plan for the area; and

i. That the continued existence of the Districts will be in the best interests of the area proposed to be served.

Exhibit B

EXHIBIT G **Agreement Regarding District Disclosures**

A separate Exhibit G must be completed for each metropolitan district.

Exhibit B

AGREEMENT REGARDING DISTRICT DISCLOSURES [INSERT NAME]

THIS AGREEMENT REGARDING DISTRICT DISCLOSURES (this “**Agreement**”) is executed as of the ____ day of _____, 20__, by and between the CITY OF LOVELAND, COLORADO, a municipal corporation (the “**City**”), and [INSERT NAME] (the “**Property Owner**”).

Recitals

A. The Property Owner owns certain real property located within the City’s boundaries, which property will be developed for residential uses (the “**Property**”). The Property is more particularly described on **Exhibit A**.

B. The Property comprises all of the property in _____ Metropolitan District No. 1 (the “**District**”) as defined and provided for in the Consolidated Service Plan for [INSERT NAME] Metropolitan District Nos. 1 and 2 (the “**Service Plan**”).

C. As a condition to its approval of the Service Plan, the City requires that the Property Owner agree to provide certain disclosures regarding the District to prospective purchasers (“**Lot Purchasers**,” as further defined herein) of lots (“**Lots**”) within the Property from the Property Owner.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned hereby agree as follows.

Agreement

1. Disclosure Requirement. At the time any Lot Purchaser enters into a reservation agreement with the Property Owner for a Lot within the Property, or if such Lot Purchaser does not enter into a reservation agreement, then prior to the time such Lot Purchaser enters into a written contract with the Property Owner for the purchase of a Lot within the Property, the Property Owner will provide to the Lot Purchaser a copy of a General Disclosure and Common Questions Regarding [INSERT NAME] Metropolitan District No. 1, which shall include the Estimate of Property Taxes with and without the District’s proposed maximum mill levy, in the form attached hereto as **Exhibit B** (the “**Disclosure**”). The Property Owner shall retain a copy of the Disclosure signed by all Lot Purchasers for its records. The Property Owner shall include the Estimate of Property Taxes attached as Exhibit B to the Disclosure, in all printed pricing schedules and related cost materials provided to prospective purchasers for the Property.
2. Notice Requirement. Prior to the sale of any Lot within the Property, the Property Owner shall record a notice that, among other information, identifies all the Lots as being within a metropolitan district and provides detailed information regarding the anticipated average home sales price within the Property, the maximum possible mill levy, the financial effect of the maximum possible mill levy on the Lot Purchaser’s property taxes, and contact information for the metropolitan district. Such notice shall be in the form attached hereto as **Exhibit C** (the “**Metropolitan District Notice**”).

Exhibit B

3. Amendments to Disclosure. The Property Owner shall not amend the Disclosure or Metropolitan District Notice without the prior written approval by the City Attorney of such amendments, except that the Property Owner may (a) correct minor typographical or clerical errors, and (b) periodically update the assessment ratios, mill levies, and similar information contained in the Disclosure and Metropolitan District Notice without the prior written approval of the City Attorney.

4. City's Remedies. In the event that the Property Owner fails to comply with the requirements of this Agreement, the City shall be entitled to seek specific performance thereof, and if the City prevails, it shall be entitled to recover from the Property Owner all of its costs and expenses incurred in connection therewith, including reasonable attorneys' fees and costs.

5. Lot Purchasers' Remedies. In the event that a Lot Purchaser does not receive a copy of the Disclosure prior to the time such Lot Purchaser enters into a written contract with the Property Owner for the purchase of a Lot within the Property, such Lot Purchaser shall be entitled to terminate such contract and receive a full refund of its deposits thereunder at any time prior to the earlier of: (a) fifteen (15) days after a copy of the Disclosure is provided to such Lot Purchaser; or (b) the closing of Lot Purchaser's acquisition of the Lot from Property Owner.

6. Disclosure by Subsequent Owners. The Property Owner's obligation under this Agreement shall be a covenant running with the land which shall bind subsequent Developers (as defined below). All subsequent Developers of a Lot within the Property shall be required by the Property Owner in a written agreement to comply with the disclosure requirements of Section 1 and shall be subject to the remedies set forth in Sections 3 and 4 in connection with their sale of such Lot. Following the first sale of a Lot to a Lot Purchaser, such Lot shall cease to be subject to this Agreement. For the purposes of this Agreement, a "**Developer**" shall be a party which acquires a Lot for the purpose of selling that Lot or for constructing improvements for residential use thereon for resale to a Lot Purchaser, and a "**Lot Purchaser**" shall be a party who acquires a Lot with improvements for residential use constructed thereon or who acquires a Lot without improvements for the purpose of constructing improvements for residential use thereon.

7. No Third-Party Beneficiaries. Except as provided in Section 5, this Agreement is for the benefit of, and may only be enforced by, the parties hereto. As set forth in Section 5, no third party shall have any rights, or be entitled to any remedies, arising out of this Agreement or any breach hereof.

8. Recitals. The Recitals set forth at the beginning of this Agreement are hereby incorporated in and made a part of this Agreement.

9. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, personal representatives, successors and assigns.

10. Facsimile Signatures; Counterparts. The facsimile signature of any party on this Agreement shall be deemed an original for all purposes. This Agreement may be executed in counterparts, each of which shall be deemed a duplicate original.

11. Recording. This Agreement shall be recorded in the Larimer County Clerk and Recorder's Office at the Property Owner's expense.

Exhibit B

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the day, month and year first above written.

CITY:

CITY OF LOVELAND, a municipal corporation

By: _____
City Manager

ATTEST:

By: _____

City Clerk

APPROVED AS TO FORM:

By: _____

City Attorney

STATE OF COLORADO)
) ss:

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20____, by _____ as City Manager of the City of Loveland, a municipal corporation.

Witness my hand and official seal.

My commission expires:_____.

Notary Public

Exhibit B

STATE OF COLORADO)
) ss:
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20____, by _____ as City Clerk of the City of Loveland, a municipal corporation.

Witness my hand and official seal.

My commission expires:_____.

Notary Public

By: _____
Its: _____

STATE OF COLORADO)
) ss:
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20____ by _____ as _____ of _____.

Witness my hand and official seal.

My commission expires:_____.

Notary Public

Exhibit B

Exhibit A

To Agreement Regarding District Disclosures

Legal Description of the Property

Exhibit B

Exhibit B

To Agreement Regarding District Disclosures

Form of Disclosure

Exhibit B

GENERAL DISCLOSURE AND COMMON QUESTIONS REGARDING _____ METROPOLITAN DISTRICT NO. 1

1. What does the District do?

_____ Metropolitan District No. 1 (the "District") was organized, together with _____ Metropolitan District No. 2 on _____, 20____ pursuant to a Consolidated Service Plan, approved by Resolution No. #R-__-_____ of the City Council for the City of Loveland, Colorado, on____, 20 (the "Service Plan") for purposes of constructing, operating and maintaining certain public improvements within the boundaries of the District. The District is a governmental entity governed by an elected board of directors made up of property owners and property taxpayers within the District's boundaries.

The District's boundaries are set forth in **Exhibit 1** attached hereto. It is conceivable that boundary adjustments may be made to the District. Any such adjustments are subject to the prior consent of the owners of the relevant property and must be considered at a public hearing of the District's board of directors.

Pursuant to the Service Plan and as further described therein, the District is authorized to provide for the design, acquisition, installation, construction, financing, operation, and maintenance of a sanitary sewer system, storm drainage, potable water system, non-potable irrigation system, street system and traffic safety, parks and recreation, transportation, television relay and translation, mosquito control, security, covenant enforcement, and business development improvements and services. The District may dedicate certain public improvements to the City of Loveland (the "City"). The operations and maintenance of public improvements dedicated to the City shall rest with the City. Public improvements not dedicated to the City or other appropriate entity will be owned, operated, and maintained by the District. The District has authority to impose property taxes and fees, rates, tolls, penalties, and charges to fund the construction and operations and maintenance for all improvements identified in the Service Plan. At some point in the future, the District may impose fees and/or rates; all District fees and rates may be adopted and/or amended from time to time by the District's board of directors at its discretion, as permitted by law.

Certain services may be provided within the District by one or more property owners' associations organized as non-profit organizations. Currently, no property owners association has been established within the boundaries of the District. If a property owners association is established, property owners will be subject to fees and assessments payable to the association for services and amenities provided by the association (and not the District), which will be separate from and in addition to any fees or assessments payable to the District.

2. How much property tax will the District collect to construct improvements and pay for operations?

The District has authority to impose property taxes for the construction, operation, and maintenance of the improvements generally identified in the Service Plan. The District may issue bonds to provide for the costs of capital improvements within its boundaries. In order to meet the debt service requirements for bonds and to pay operations and maintenance costs associated with the provision of services, the District will impose a mill levy pursuant to the Service Plan. The mill

Exhibit B

levy authorized for the District under the Service Plan may not exceed 50 mills for the payment of debt obligations and related expenses, may not exceed 10 mills for the payment of operations and maintenance obligations and related expenses, and may not exceed a total of 60 mills for the payment of debt obligations and operations and maintenance expenses combined, which amounts may be adjusted upward or downward over time as permitted in the Service Plan.

Various voter limitations exist which may affect the taxing powers of the District, including maximum annual taxing limitations and expenditure limitations. The TABOR Amendment, Article X, Section 20 of the Colorado Constitution, imposes various legal limitations that may restrict the District's taxing and spending authority.

3. What are the advantages of metropolitan districts providing public improvements in lieu of cities or counties?

Special districts are used throughout Colorado to finance public improvements. Because cities and counties often do not provide water and wastewater systems, roads, or recreation facilities in new communities, special districts may be organized to build these facilities. Special districts may also permit earlier construction of recreation facilities and other amenities for the benefit of the community when compared with developments not within special districts. Where special districts are utilized, the costs of improvements within the community are generally spread over 20 to 30 years and are paid through mill levies. Special districts are governed by property owners within the community who are better able to address specific issues of concern to the community than could a larger city or county.

4. How can I be assured the District will not issue too many bonds and create unreasonably high mill levies?

All bonds issued by the District are governed by state laws concerning the process by which bonds are issued by special districts. The operation of the District is governed by the Service Plan, which limits the total mill levy that may be assessed by the District for the payment of debt obligations and related expenses to 50 mills, the payment of operations and maintenance obligations and related expenses to 10 mills, and the payment of debt obligations and operations and maintenance expenses combined to 60 mills, subject to adjustments to account for changes in state law with respect to the assessment of property for taxation purposes, the ratio for determining assessed valuation, or other similar matters. The adjustment allows for tax revenues to be realized by the District in an equivalent amount as would have been realized by the District based on a levy of 10 mills for operations and maintenance obligations, 50 mills for the payment of debt obligations and related expenses, and a combined 60 mills absent any change in the manner of the assessment of property for taxation purposes, the ratio for determining assessed valuation, or other similar matters.

The mill levy limits will remain in place unless and until the Service Plan is amended to permit a change in this limit. This limit, as well as others existing under Colorado law, together with voter approval requirements, are believed adequate to control the tax levies within the District. As noted, however, many of the Service Plan limits and existing voter limits may be amended from time to time.

Exhibit B

Market constraints on property sales by the developer often result in a mill levy within the District that is comparable to mill levies in competing developments in order to further the community as an attractive place to purchase property. Therefore, in the initial stages of the development, it is in the District's and the project developer's interest to maintain a mill levy in the District comparable to the total property taxes in other similar communities so that the property taxes paid for the amenities and services in the District are a good value.

5. Who bears the risk that the community may not fully develop?

Bondholders will be providing funding to the District for the District's construction of public improvements authorized by the Service Plan. These initial bonds for the District will be supported, in part, by the developer of the project. Property taxes paid by property owners on residential property will help pay the costs of all bonds issued by the District. This results in the risk of development being shared in part by bondholders and the developer. The property owners also share risk relative to the bonds which are currently limited as noted above in paragraph 4. As previously stated, it is within the District's discretion to impose other fees to help pay for public improvements.

6. What will my tax bill look like?

In determining the tax liability due to for residential property, the County Assessor's Office first determines the actual value of the residential property based upon market approach to value. The actual value of the residential property is then multiplied by the assessment rate, which is set every odd numbered year by the state legislature, to determine the assessed valuation of the residential property. The current assessment rate on residential property is 7.15%. The mill levy is then multiplied by the assessed valuation of the residential property, resulting in the assessment for the residential property. For example, residential property with an actual value of \$[INSERT AMOUNT] would have an assessed value of \$[INSERT AMOUNT]. One mill (0.001) applied to that valuation for assessment produces approximately \$[INSERT AMOUNT] of taxes per one mill.

It is anticipated that the tax bill for your property will show mill levies for the City of Loveland, Larimer County, Larimer County Pest Control, Northern Colorado Water Conservancy District, Thompson R2-J School District, Thompson Valley Health Services District, Little Thompson Water District, and various other service providers, including [INSERT NAME] Metropolitan District No. 1. According to information available from the Larimer County Assessor, the total overlapping mill levy imposed upon the property within the boundaries of the District, but without any District mill levy, as [INSERT NUMBER] mills for tax year [insert year] for collection in the year [insert following year]. Therefore, without the District, the annual tax bill levied on a residential property with an actual value of \$[INSERT AMOUNT] would be approximately \$2,559 (32.18 per mill x 79.511 mills). \$[INSERT AMOUNT].

The maximum mill levy the District is permitted to levy is [INSERT NUMBER] mills, and the portion of the annual tax bill levied by the District on a residential property with an actual value of \$[INSERT AMOUNT] would be approximately \$[INSERT AMOUNT]. Your tax bill for your property will also include mill levies from other taxing entities that overlap with the District's boundaries, making the total annual tax bill levied on the residential property approximately

Exhibit B

\$(INSERT AMOUNT).

Exhibit 2 attached hereto sets forth the approximate mill levies that are currently levied against the property within the District and estimates the annual tax bills levied both with and without the District. Colorado's taxing entities certify their mill levies on an annual basis, so the most accurate manner of ascertaining the specific taxing entities and current mill levies imposed on any property is by contacting the Larimer County Assessor's office directly.

7. Where can I get additional information regarding the District?

This document is not intended to address all issues associated with special districts generally or with the District specifically. The Service Plan contains a full description of the District's purpose and functions. Prospective purchasers of property within the District are encouraged to read this document. A copy of the District's Service Plan is available in the Loveland City Clerk's Office. For additional information about the District, prospective purchasers may also contact the District's attorney's office of [INSERT NAME], at [INSERT ADDRESS], [INSERT TELEPHONE NUMBER]. The District's meetings are open to the public, at which time you can raise questions regarding any matter related to the activities of the District.

Dated this _____ day of ___, 20__.

By: [INSERT NAME, General Counsel
[INSERT NAME] Metropolitan District No. 1

Purchaser's Signature Acknowledging Receipt: _____

Printed Name

Exhibit B

EXHIBIT 1 TO GENERAL DISCLOSURE AND COMMON QUESTIONS

LEGAL DESCRIPTION OF [INSERT NAME] METROPOLITAN DISTRICT NO. 1

Exhibit B

EXHIBIT 2 TO GENERAL DISCLOSURE AND COMMON QUESTIONS ESTIMATE OF PROPERTY TAXES

Annual Tax Levied on Residential Property With \$450,000 Actual Value Without the District

<u>Taxing Entity</u>	Mill Levies (2020**)	Annual tax levied
City of Loveland	9.564	\$ 307.77
Thompson R2-J School District Gen Fund	36.320	\$ 1,168.78
Thompson R2-J School District Bond Fund	8.258	\$ 265.74
Larimer County	22.458	\$ 722.70
Little Thompson Water District	0.000	\$ 0
Northern Colorado Water Conservancy District	1.000	\$ 32.18
Thompson Valley Health Services District	1.769	\$ 56.73
Larimer County Pest Control District	0.142	\$ 4.57
TOTAL:	79.511	\$ 2,558.66

Annual Tax Levied on Residential Property With \$450,000 Actual Value With the District (Assuming Maximum District Mill Levy)

<u>Taxing Entity</u>	Mill Levies(2020**)	Annual tax levied
_____ Metropolitan District No. 1	_____.000	\$ _____
City of Loveland	9.564	\$ 307.77
Thompson R2-J School District Gen Fund	36.320	\$ 1,168.78
Thompson R2-J School District Bond Fund	8.258	\$ 265.74
Larimer County	22.458	\$ 722.70
Little Thompson Water District	0.000	\$ 0
Northern Colorado Water Conservancy District	1.000	\$ 32.18
Thompson Valley Health Services District	1.769	\$ 56.73
Larimer County Pest Control District	0.142	\$ 4.57
TOTAL:	_____	\$ _____

**This estimate of mill levies is based upon mill levies certified by the Larimer County Assessor's Office in December 2020 for collection in 2021 and is intended only to provide approximations of the total overlapping mill levies within the District. The stated mill levies are subject to change, and you should contact the Larimer County Assessor's Office to obtain accurate and current information.

Exhibit B



Home Ownership Cost - Including Metropolitan District

The input form for this document is located on the City's website at www.lov.gov.org/services/finance/metro-districts

ADJUSTABLE VALUES

Description

Original Home Cost

Down Payment

Amount Financed

\$ -

Year of Acquisition

Mortgage Int Rate

General Property Tax Mills

Metro District Property Tax Mills

Annual Mortgage and Metro District Cost							
Period	Year	Home Value (3.5% Annual Increase*)	Annual Mortgage Payment	Annual Assessment - Without Metro District	Annual Total Payments Without Metro District	Property Tax Annual Metro Dist. Millage	Annual Total Payments in Metro District
1	0	\$ -	\$ -	-	\$ -	-	\$ -
2	1	-	-	-	-	-	-
3	2	-	-	-	-	-	-
4	3	-	-	-	-	-	-
5	4	-	-	-	-	-	-
6	5	-	-	-	-	-	-
7	6	-	-	-	-	-	-
8	7	-	-	-	-	-	-
9	8	-	-	-	-	-	-
10	9	-	-	-	-	-	-
11	10	-	-	-	-	-	-
12	11	-	-	-	-	-	-
13	12	-	-	-	-	-	-
14	13	-	-	-	-	-	-
15	14	-	-	-	-	-	-
16	15	-	-	-	-	-	-
17	16	-	-	-	-	-	-
18	17	-	-	-	-	-	-
19	18	-	-	-	-	-	-
20	19	-	-	-	-	-	-
21	20	-	-	-	-	-	-
22	21	-	-	-	-	-	-
23	22	-	-	-	-	-	-
24	23	-	-	-	-	-	-
25	24	-	-	-	-	-	-
26	25	-	-	-	-	-	-
27	26	-	-	-	-	-	-
28	27	-	-	-	-	-	-
29	28	-	-	-	-	-	-
30	29	-	-	-	-	-	-
TOTALS			\$ -	\$ -	\$ -	\$ -	\$ -

This document provides an estimation of costs using the assumptions provided above.

*Source: www.neighborhoodscout.com/co/loveland/real-estate#description

Notes/Assumptions:

1. Interest rates taken from bankrate.com on 01/07/22. Bankrate weekly average mortgage rate of 2.73%.
2. Residential assessment rate of 6.95 used for future mill levy calculations.
3. Housing appreciation is assumed to be 3.5% per annum.
4. Metro District millage is set at 60 mills (50 Debt, 10 Operating Maintenance).
5. Average millage is set at 79.5 mills, not including Metro District mills.
6. Input for beginning year.

Exhibit B

Exhibit C

To Agreement Regarding District Disclosures

Form of Metropolitan District Notice



**NOTICE OF INCLUSION IN A RESIDENTIAL METROPOLITAN DISTRICT
AND POSSIBLE PROPERTY TAX CONSEQUENCES**

Legal description of the property and address:

(Insert legal description and property address).

This property is located in the following metropolitan district:

(Insert district Name).

In addition to standard property taxes identified on the next page, this property is subject to a metropolitan district mill levy (another property tax) of up to:

(Insert mill levy maximum)

Based on the property's inclusion in the metropolitan district, an average home sales price of \$_____,000 could result in ADDITIONAL annual property taxes up to:

(Insert amount).

The next page provides examples of estimated total annual property taxes that could be due on this property and a comparison of annual property taxes, if this property were located outside the metropolitan district. **Note: property that is not within a metropolitan district would not pay the additional amount.**

The metropolitan district board can be reached as follows:

(Insert contact information)

Note: You may wish to consult with: (1) the Larimer County Assessor's Office, to determine the specific amount of metropolitan district taxes currently due on this property; and (2) the metropolitan district board, to determine if the service plan has been amended.

Exhibit B

ESTIMATE OF PROPERTY TAXES

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TOTAL:	79.511	\$ 2,558.66

Annual Tax Levied on Residential Property With \$450,000 Actual Value With the District (Assuming Maximum District Mill Levy)

<u>Taxing Entity</u>	Mill Levies (2020**)	Annual tax levied
[INSERT NAME] Metropolitan District No. 1	_____.000	\$ _____
City of Loveland	9.564	\$ 307.77
Thompson R2-J School District Gen Fund	36.320	\$ 1,168.78
Thompson R2-J School District Bond Fund	8.258	\$ 265.74
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Thompson Valley Health Services District	1.769	\$ 56.73
Larimer County Pest Control District	0.142	\$ 4.57
TOTAL:	_____	\$ _____

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Exhibit B



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Description

Original Home Cost

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Amount Financed

Year of Acquisition

Mortgage Int Rate

General Property Tax Mills

Metro District Property Tax Mills

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5	4	-	-	-	-	-	-
6	5	-	-	-	-	-	-
7	6	-	-	-	-	-	-
8	7	-	-	-	-	-	-
9	8	-	-	-	-	-	-
10	9	-	-	-	-	-	-
11	10	-	-	-	-	-	-
12	11	-	-	-	-	-	-
13	12	-	-	-	-	-	-
14	13	-	-	-	-	-	-
15	14	-	-	-	-	-	-
16	15	-	-	-	-	-	-
17	16	-	-	-	-	-	-
18	17	-	-	-	-	-	-
19	18	-	-	-	-	-	-
20	19	-	-	-	-	-	-
21	20	-	-	-	-	-	-
22	21	-	-	-	-	-	-
23	22	-	-	-	-	-	-
24	23	-	-	-	-	-	-
25	24	-	-	-	-	-	-
26	25	-	-	-	-	-	-
27	26	-	-	-	-	-	-
28	27	-	-	-	-	-	-
29	28	-	-	-	-	-	-
30	29	-	-	-	-	-	-
TOTALS			\$ -	\$ -	\$ -	\$ -	\$ -

This document provides an estimation of costs using the assumptions provided above.

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Notes/Assumptions:

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2. Residential assessment rate of 6.95 used for future mill levy calculations.
3. Housing appreciation is assumed to be 3.5% per annum.
4. Metro District millage is set at 60 mills (50 Debt, 10 Operating Maintenance).
5. Average millage is set at 79.5 mills, not including Metro District mills.
6. Input for beginning year.

Exhibit B

EXHIBIT H

Notice of Inclusion in the [INSERT NAME] Metropolitan District Nos. 1 and 2 and Possible Property Tax Consequences

Note 1: See Exhibit C to Agreement Regarding District Disclosures - Form of Metropolitan District Notice

Note 2: This Notice of Inclusion must be completed for each metropolitan district.