

**REVISED SERVICE PLAN  
FOR  
WATERVIEW I  
METROPOLITAN DISTRICT**

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TABLE OF CONTENTS

SUMMARY .....	1
INTRODUCTION .....	3
DEVELOPMENT ANALYSIS.....	6
FINANCIAL PLAN ANALYSIS .....	7
INFRASTRUCTURE ANALYSIS .....	8
INTERGOVERNMENTAL AGREEMENT .....	10
MISCELLANEOUS .....	10
COMPLIANCE .....	11
CONCLUSION .....	11

## LIST OF EXHIBITS

1. District Map and Legal Description
2. Intergovernmental Agreement (“IGA”) with Security Water District
3. Intergovernmental Agreement (“IGA”) with Security Sanitation District
4. Ability of District/Owners to Issue and Satisfy Debt
5. Build-Out Projections
6. Infrastructure Capital Costs
7. Water Analysis Summary
8. Financial Plan
9. Proof of Taxes
10. Security Water and Sanitation Districts Letter

## SUMMARY

The following is a summary of general information regarding the proposed District provided for the convenience of the reviewers of this Service Plan. Please note that the following information is subject, in all respects, to the more complete descriptions contained elsewhere in this Service Plan.

Proposed District:	Waterview I Metropolitan District (the "District")
Property Owner:	Cygnets Land, LLC ("Owner/Developer")
Development:	Residential and commercial project on approximately 290.38 acres of real property located south of Powers Boulevard, north of Bradley Road and on either side of Grinnell Road, County of El Paso, Colorado.
Proposed Improvements:	Water, wastewater, street improvements and safety protection, park and recreation, drainage, landscaping, mosquito control, transportation, and television relay.
Infrastructure Capital Costs:	\$10,780,153.17
Debt Authorization:	\$25,000,000.00 authorized with two (2) issues anticipated (\$12,000,000.00 Series 2005 A and B, and \$13,000,000.00 Series 2009) Limited Tax General Obligation Bonds.
Proposed Mill Levy:	25 Mills – includes debt service and operational costs.
Proposed M/L Cap:	40 Mills – includes debt service and operational costs.
Functions of the Owner/Developer:	The Owner/Developer will initially provide the necessary credit enhancements for financing of all infrastructure capital costs and will meet the obligations of any operating and debt service deficits. The Owner/Developer will fund all organizational costs of the District subject to reimbursement as provided by law.
Functions of the District:	<p>The District will see that all infrastructure is designed and constructed to appropriate local and state standards and will maintain the same. The roads and related drainage structures will be conveyed to the County.</p> <p>The District shall provide financing for public facilities, services, and programs benefiting the future residents and landowners of the community.</p>

**Material Modifications:**

Modification to this Service plan shall be required if there is a change in the basic services provided by the District, including the addition of any types of services provided and for any other matter described as a material modification by state law.

**Current Population:**

0

**Current Valuation  
for Assessment:**

\$14,382.00

## I INTRODUCTION

A. Necessary public facilities, services, and programs will be provided to the approximately 290.38 acre Waterview I property (Exhibit 1) by a metropolitan district that will be created pursuant to Title 32, Colorado Revised Statutes. The District will be named Waterview I Metropolitan District (hereinafter "District").

B. The District will be responsible for managing the design, construction, and operation of the public facilities and improvements and for providing funding to support the necessary costs and services. A mill levy together with other fees and charges will be utilized in order to finance the public infrastructure.

C. An intergovernmental agreement (hereinafter "Security Water IGA")(Exhibit 2) will be entered into with Security Water District, which will operate and maintain the water system of the District and a second intergovernmental agreement (hereinafter "Security Sanitation IGA")(Exhibit 3) will be entered into with Security Sanitation District, which will operate and maintain the wastewater system of the District.

D. It is proposed that the District provide the following municipal services, both within and without the boundaries of the District as may be necessary:

1. Water – Design and construction of a complete potable water supply system, including, but not limited to, storage, transmission, and wells, production and treatment facilities, distribution system, consisting of, but not limited to, transmission lines, distribution mains, laterals, storage facilities, pumping facilities, and easements and appurtenant facilities. The operation and maintenance of the water supply system will be transferred to the Security Water District pursuant to the Security Water IGA.
2. Wastewater – Design and construction of a complete sanitary sewage and storm drainage collection, transmission and treatment system, consisting of, but not limited to, collection mains, laterals, transmission lines, and pumping facilities in order to carry effluent to the Security Sanitation District for treatment and discharge pursuant to the Security Sanitation IGA. Also, the operation and maintenance of the wastewater system will be transferred to the Security Sanitation District pursuant to the Security Sanitation IGA.
3. Street Improvements and Safety Protection - Design and construction of arterial and collector street improvements and related safety protection devices including, but not limited to, bridges, fencing, trails, lighting, landscaping, traffic and safety controls and devices. Streets are to be dedicated to the County for permanent maintenance. Any street related medians and landscaping will be maintained by the District. ✓
4. Park and Recreation - Design, construction, operation and maintenance of park and recreational facilities including open space, trails, fencing, and landscaping. The District would not make any improvements without the concurrence of Widefield School District.

5. Mosquito Control - Provide for the eradication and control of mosquitoes, including but not limited to elimination or treatment of breeding grounds and purchase, lease, contracting or other use of equipment or supplies for mosquito control.
6. Television Relay and Translation - Provide for the design, acquisition, construction, completion, installation, operation and maintenance of television relay and translation facilities, cable and communication facilities, fiber optic conduit network, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities.
7. Transportation - Design, acquire, construct, install, and/or operate and maintain transportation system improvements, including transportation equipment, park and ride facilities and public parking lots, structures, roofs, covers and facilities, together with all necessary incidental and appurtenant facilities, land and easements together with extensions of and improvements to said facilities within and without the boundaries of the District; provided however, that the design, acquisition, construction, installation, and/or operation and maintenance of public transportation improvements shall, where applicable, be subject to entry into authorizing contracts pursuant to the provisions of Part 2, Article 1 of Title 29, Colorado Revised Statutes.
8. Drainage - Design and construct all necessary drainage facilities including detention ponds, culverts, pipes, channels, swales, and weirs in accordance with an approved regional drainage plan. ✓
9. Miscellaneous Powers - In addition to the above-enumerated powers, the District shall have the following authority:
  - (a) Legal Powers. The powers of the District will be exercised by its board of directors to the extent necessary to provide the services contemplated in this Service Plan. The forgoing improvements and services, along with all other activities permitted by law, will be undertaken in accordance with, and pursuant to, the procedures and conditions contained in the Special District Act, other applicable states and this Service Plan, as well as any or all of the same may be amended from time to time.
  - (b) Other. In addition to the powers enumerated above, the board of directors of the District shall have the following authority:
    - (i) To amend this Service Plan as needed subject to applicable state and local laws contained in Title 32, C.R.S. and the applicable laws of the County, including, by written notice pursuant to Section 32-1-207 C.R.S., of actions which the District believes are permitted by this Service Plan, but which may be unclear. In the event the County elects not to seek to enjoin any such activities under said statute, such election shall constitute agreement by the County that such activities are within the scope of this Service Plan;



(ii) To forego, reschedule or restructure the financing and construction of certain improvements and facilities, to better accommodate the pace of growth, resources availability, and potential inclusions of property within the District, or if the development of the improvements and facilities would best be performed by another entity; and

(iii) To provide all such additional services and exercise such powers as are expressly or impliedly granted by Colorado law, and which the District is required to provide or exercise or, in its discretion, chose to provide or exercise. County approval shall be required prior to the District exercising any such additional express or implied services and powers granted by Colorado law but not described herein, unless such exercise is required by the County, State of Colorado, or other governmental entity; and

(iv) To exercise all necessary and implied powers under Title 32, C.R.S. in the reasonable discretion of the board of directors of the District.

II. DISTRICT WILL OVERSEE ALL DESIGN AND CONSTRUCTION TO INSURE THAT THE SAME IS DONE PURSUANT TO DISTRICT STANDARDS AND WILL ISSUE LIMITED TAX GENERAL OBLIGATION BONDS TO PAY FOR INFRASTRUCTURE.

A. A map of the proposed District and a legal description of its boundaries are found at Exhibit 1.

B. The creation of the District will be in the best interest of the property proposed to be served. The District will have the flexibility and statutory powers to provide long-term services to the residents within its boundaries. New districts have numerous advantages over other vehicles that could be utilized to supply services to this area. While a Homeowners Association might be set up to provide these services by way of covenants imposed on the real property, a Homeowners Association may lack both the financing ability, the flexibility and the longevity that would be provided by the District. Additionally, a Homeowners Association would not possess certain statutory powers that are allowed to the District.

C. There are currently no other entities located in the surrounding area of the District that have the ability and desire to undertake the design, financing and construction of all the improvements needed to develop the property that will be within the boundaries of the District.

D. Insofar as the District will consist of proposed municipal-type residential and commercial densities within its boundaries, there should be an entity, such as a metropolitan district, separate from the Owner/Developer, to provide services on a long-term basis. A publicly controlled district with an elected board of directors, versus a Homeowners Association or any private Utility Company, would be the most capable of providing these municipal services.

E. Although there is municipal debt to be authorized, the Owner/Developer will supply the credit enhancements needed for the initial debt (Exhibit 4). Limited tax general obligation debt will be issued as is justified by the assessed valuation. In addition there will be a mill levy cap not to exceed 40 mills.

F. The Market Analysis shows that, taking into account the fees and charges for municipal services together with the overlapping mill levy from other governmental entities, the District will be competitive in the market place. A Market Analysis with Build-Out projections is included at Exhibit 5.

G. The proposed District is in compliance with the approved Sketch Plan, which was adopted by the Board of County Commissioners May 10, 2001. This project has not yet received Preliminary Plan and Zoning.

### III. DEVELOPMENT ANALYSIS

A. Attached as Exhibit 6 is an analysis of the Infrastructure Capital Costs for the water system, the wastewater system, the street improvements, parks and recreation, drainage, and engineering and surveying for the public improvements. A detailed cost breakdown has not been prepared for the 2009 bond issue since the District intends to only be a participant in these costs along with other governmental entities. Attached as Exhibit 7 is a water analysis summary that sets forth two options for the most efficient way to service the Waterview Subdivision Phase I within the District. The District will only do those public improvements that will benefit the residents of the entire District; i.e. arterial and collector streets, offsite roads, main distribution lines for water and wastewater, parks, drainage, engineering, etc. Exhibit 6 is a summary of the anticipated costs and a complete breakdown of the unit and annual costs is available. It is estimated that the total infrastructure for the entire District will take five (5) years to construct.

B. At complete build-out of the initial parcel, the District is planned to consist of 760 single-family units, 330 multi-family units, approximately 42 acres of commercial property, and approximately 41 acres of park and open space.

C. Exhibit 5 is a substantive Market Analysis of this project. The Market Analysis estimates that the residential uses will be absorbed in approximately 15 to 17 years, and commercial uses in approximately 18 years..

D. The Financial Plan Analysis (Exhibit 8) does not depend upon the build out scenarios set forth in the Market Analysis because of the developer guaranties and credit enhancements. ✓

E. The Market Analysis emphasizes the absorption rate of the District.

F. The Market Analysis has taken into account the impacts of competitive developments that are located in this part of El Paso County or may be proposed in the near future.

G. Because of the use of the limited mill levy and the fact that the Owner/Developer will provide guarantees for the payment of the initial bonds, there will be no financial threat to the homeowners.

H. This project has received Sketch Plan approvals by the El Paso County Board of County Commissioners.

#### IV. FINANCIAL PLAN ANALYSIS

A. The Owner/Developer will supply the credit enhancements needed for the initial debt to be issued by the District. District, as is justified by the assessed valuation, will issue limited tax general obligation debt. In addition there will be a mill levy cap of 40 mills (which includes debt service and operational costs) insuring future residents that property taxes will not become excessive even if development plans are not met. The 40 mill cap will not only be set forth in this Service Plan, but will also be described in the debt issues which will be a part of the ballot for the organizational election.

B. Exhibit 8 is a Financial Plan projecting finances over the next twenty-eight (28) year period. This Plan shows the number of units projected to come on line each year and then depicts the income to be derived from improvement fees and the mill levy all on an annual basis. The Plan also estimates the annual operating costs.

C. It is proposed that the District will be authorized to issue indebtedness up to \$25,000,000.00 (limited tax general obligation bonds, 2005 equivalency). The mill levy will be capped at 40 mills although it is anticipated that any debt will be satisfied with a mill levy of 20 mills per year. A mill levy of 5 mills for operations will also be authorized and is included in the 40 mill cap. ✓

D. It is anticipated that two bond issues will be required to complete all infrastructure in a five-year period. There is planned to be \$12,000,000.00 Series 2005 A and B and the remainder in 2009. The 2009 bond issue will be used to potentially participate in the completion of the regional portion of Bradley Road (and related drainage improvements) and participation with the Security Water and Sanitation Districts in upgrading the water and sewer infrastructure when the Southern Delivery System is connected to the Security Water and Sanitation Districts. The Infrastructure Capital Costs (Exhibit 6) depicts the estimated costs of infrastructure capital costs, including engineering, for the District and do not include the infrastructure capital costs normally paid by the developers or builders.

1. The district will issue limited tax general obligation bonds necessary for the initial improvements. The exact interest rates, discounts, and their form will be determined at the time of issuance and will reflect market conditions at the time. The primary source of revenues will be mill levies, tap fees and monthly user charges. The bonds will be credit enhanced by the Owner/Developer as needed.
2. Any debt that is issued will be in compliance with CRS 32-1-1101(6) (a) in that the debt will not exceed the greater of two million dollars or 50% of the assessed valuation of the District, unless the debt falls within the category of one of the statutory exceptions; i.e. rated, secured, insured, etc. The District will levy its limited capped mill levy (or fewer mills if possible) and pay the resulting revenues toward the bonded indebtedness.

3. The Infrastructure Capital Costs (Exhibit 6) consist of a breakdown of all development costs contemplated which are identified by type of service and further identified by the year in which the installations will occur.
4. All major infrastructure capital improvements together with the necessary easements will be assigned and deeded to the District.
5. As reflected in the Market Analysis (Exhibit 5), this District should be capable of providing economical service within the boundaries.
6. If development does not occur as projected then there will be a delay in the addition of infrastructure and the incurring of additional debt.
7. It is anticipated that in the formative years the District may have shortfalls in being able to meet its monthly operations and maintenance expenses. The Owner/Developer is prepared to assume these obligations for the development of the initially included property within the District subject to the Owner being repaid from revenues.
8. All taxes have been paid and are current. See Exhibit 9.
9. It is not anticipated that there would be any financial difficulties that could affect the performance of the proposed District under this Service Plan due to the fact that there is a cap on the mill levy.
10. It is anticipated that all improvements will be constructed to the standards imposed by El Paso County, its Department of Public Works, and the State Health Department.
11. In addition to property taxes, the District may also rely upon other revenue sources authorized by law and this Service Plan to offset the expenses of capital construction and District management, operations and maintenance. These will include the power to assess fees, rates tolls, penalties, and charges as provided in Title 32, CRS, as amended.

## V. INFRASTRUCTURE ANALYSIS

A. A general description of the facilities to be constructed and the standards of such construction showing that they are compatible with the facilities and standards of El Paso County follows:

1. Arterial and Collector Street Improvements & Safety Protection – The District intends to provide for the acquisition, construction, completion, installation and/or operation and maintenance of street improvements, both on-site and offsite, including curbs, gutters, sidewalks, bridges, overpasses, bike paths and pedestrian ways, irrigation, landscape, streetscape and entryways, parking lots and structures, and a system of traffic and safety controls and devices on streets and highways, including signalization together

with all necessary, incidental, and appurtenant facilities, right-of-ways, land and easements, together with extensions of and improvements to said facilities within and without the boundaries of the District. The District will only provide for the arterial and collector roads and streets that serve the entire development. ✓✓

All streets and safety protection facilities will be constructed in accordance with engineering and design requirements appropriate for the surrounding terrain, and shall be compatible with the standards of the County of El Paso, the Colorado Department of Highways, and other local public entities as may be appropriate.

2. Drainage - All storm sewers and facilities will be constructed in accordance with the standards and specifications of the County of El Paso, and any other local jurisdictions as appropriate. The drainage improvements would be phased along with other capital construction improvements; however, if drainage improvements are required to be up-fronted or constructed in advance of a normal schedule, the Owner/Developer will be entitled to reimbursement. The drainage improvements would consist of detention/retention ponds, roadway swales and piping. Drainage improvements that are an integral part of the street and roadway system will be maintained by El Paso County along with routine street maintenance. Detention ponds will be maintained by the District. All drainage structures and facilities will be coordinated with the regional drainage plan of El Paso County. ✓

3. Water Distribution and Storage - The water distribution and storage system will consist of, but not be limited to, pipes, fire hydrants, storage facilities, pumping stations, controls, and related equipment. The water system will be coordinated with the Security Water District in order to meet their requirements with regard to fire flows. Water quality will meet all standards as set by the State Department of Health or other applicable laws and regulations. The water system shall comply with all federal, state, and county requirements, including any requirements shown on approved plats. The District will adopt industrial pre-treatment water quality standards that will be enforced by ordinance by the District or Security Water District. The water system will be designed and constructed in accordance with the quality and standards utilized by Security Water District. ✓

Water will be available for use within the proposed District from ground water municipal wells and other sources provided by Security Water District Exhibit 10).

The total water distribution and storage system will again be phased along with other capital improvements. See Exhibit 6.

4. Sanitary Sewer System - The wastewater treatment and/or collection facilities will be designed and constructed in accordance with the standards of the Colorado Department of Health and the County of El Paso, and any other state or federal rules and regulations. The sanitary sewer system would consist of a complete collection system with forced main sewage lift stations to deliver sewage to the Security Sanitation District. After design and construction, these services will be provided by the Security Sanitation District pursuant to the Security Sanitation IGA.

5. Park and Recreation - Park and recreation facilities of the District would consist of undisturbed open space, improved park areas, recreation centers, and trails. These improvements would be phased along with the rest of the development and will be paid for by the District. See Exhibit 6. Mosquito control as required will also be provided.
6. Television Relay and Translation/Cable Television - The District may design, acquire, construct, complete, install, operate and maintain television relay and translation facilities, cable and communication facilities, fiber optic conduit network, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities.

Exhibit 6 does not detail the Capital Infrastructure Costs for the installation of cable T.V. as it is presently unknown whether the cable T.V. operation will be retained and owned by the District or whether services will be provided by an outside entity.

7. Operation, Maintenance and Administration - The proposed District would operate and maintain all major public facilities. It is planned that the water and wastewater treatment facilities will be operated by the Security Water District and the Security Sanitation District pursuant to the Security Water IGA and the Security Sanitation IGA. Estimated cost for such operations, maintenance and administration are shown in the Financial Plan at Exhibit 8 and do not include those costs associated with the marketing and development which are not the responsibility of the District. In the formative years, it is anticipated that the user charges will be inadequate to meet the expenses of operation, maintenance and administration, in which case the same shall be funded by the Owner/Developer, subject to reimbursement.

The District will cause improvements to be designed and constructed according to County and other local and state specifications.

8. Owner/Developer Responsibilities - The Owner/Developers, and through their development companies, have assumed the responsibility of providing the necessary credit enhancements to support the issuance of the initial bonds Exhibit 4).

## VI. INTERGOVERNMENTAL AGREEMENTS

An intergovernmental agreement (Security Water IGA) (Exhibit 2) will be entered into between the District and Security Water District and a second intergovernmental agreement will be entered into between the District and Security Sanitation District (Security Sanitation IGA) (Exhibit 3). The two IGAs will be finalized prior to the formation of the District.

## VII. MISCELLANEOUS

The following is additional information to further explain the functions of the District:

1. The contemplated municipal services are under the jurisdiction of the Special District control Act and not the Public Utilities Commission.

2. The Owner/Developer intends to meet all requirements of the El Paso County Land Development Code as may be required.
3. This project is in compliance with the duly adapted County, Regional and State Long-Range Water Quality Management Plan insofar as the Security Water and Sanitation District has been designated as a regional facility.
4. The Security Water District and the Security Sanitation District are already permitted by the State of Colorado and the proposed District will meet all requirements of said permits.
5. The infrastructure fees are in addition to the tap fees that will be paid directly to the Security Water and Sanitation Distircts.
6. At this time there are no plans to exercise the power of eminent domain within or without the District's boundaries; however, the power shall be available for use by the District as allowed by law.

#### VIII. COMPLIANCE

The Owner/Developer will supply all such additional information as may be required by the Board of County Commissioners and agrees that

1. An annual report will be required described in C.R.S. 32-1-207 (3) (d); and
2. The District may be dissolved in accordance with statutory procedures in the event development activity permanently ceases and the District is failing to provide any services; and
3. Should material modifications occur as described in C.R.S. 32-1-207(2), the District shall apply for approval of such modifications to the Board of County Commissioners.

#### IX. CONCLUSION

A. To meet the long-term public improvement and service needs of the future residents of the District, it is proposed that the District perform the municipal functions that are described in this Service Plan.

B. It is submitted that this Service Plan for the proposed District establishes that:

1. There is sufficient existing and projected need for organized service in the area to be serviced by the proposed District; and
2. The proposed District is capable of providing economical and sufficient service to the Waterview Development; and
3. The area to be included in the proposed District does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis; and
4. Adequate service is not, and will not be, available to the area through the County or other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a

comparable basis; and

5. The facility and service standards of the proposed District are compatible with the facility and service standards of the County within which the proposed District is to be located and each municipality which is an interested party under Section 32-1-204(I), Colorado Revised Statutes; and
6. The proposal is in substantial compliance with a master plan adopted pursuant to Section 30-28-106, CRS; and,
7. The proposal is in compliance with any duly adopted County, regional, or state long-range water quality management plan for the area; and,
8. The creation of the proposed District is in the best interests of the area proposed to be served.