

SILVERADO RANCH METROPOLITAN DISTRICT

SERVICE PLAN

EL PASO COUNTY, COLORADO

August 18, 2021

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(Date of Commissioner Approval)

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- A. Maps and Legal Description
 - 1. Vicinity Maps and Initially Included Property Map
 - 2. Legal Description of Initially Included Properties
- B. Additional Inclusion Area
- C. Development Summary
- D. Infrastructure Capital Costs
- E. Financial Plan Summary
- F. Annual Report and Disclosure Form

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:	Silverado Ranch Metropolitan District ("District")
Property Owners:	Silverado Ranch, Inc.
Developer:	Silverado Ranch , Inc.
Description of Development:	64 residential lots on 320 acres in eastern El Paso County southeast of Schreiver AFB with an average value of \$750,000 in 2021 dollars.
Proposed Improvements to be Financed:	Water lines, waste water lines, roads, traffic control, storm drainage, park and recreation features, and drainage facilities.
Proposed Ongoing Services:	Park and recreation, covenant enforcement and design review
Infrastructure Capital Costs:	\$1,500,000
Maximum Debt Authorization:	\$10,000,000
Proposed Debt Mill Levy:	30 Mills.
Proposed O & M Mill Levy (with covenant enforcement):	10 Mills.
Proposed Special Purpose Mill Levy	0 Mills
Proposed Maximum Mill Levy	50 mills.
Proposed Fees:	None

DEFINITIONS

The following terms are specifically defined for use in this Service Plan, For specific definitions of terms not listed below please also refer to the El Paso County Special District Policies, the El Paso County Land Development Code and Colorado Revised Statutes, as may be applicable.

Additional Inclusion Areas: Those properties listed on Exhibit B.

Annual Report and Disclosure Statement: means the statement of the same name required to be filed annually with the Board of County Commissioners.

Board: means the board of directors of the District.

Board of County Commissioners: means the Board of County Commissioners of El Paso County.

Conventional Representative District: A Title 32 district in which all property owners and residents may participate in district elections.

County: means El Paso County, Colorado

Debt: means bonds or other obligations for the payment of which the District has promised to impose an *ad valorem* property tax mill levy without such promise being subject to annual appropriation.

Developer Funding Agreement: An agreement of any kind executed between a special district and a Developer as this term is specifically defined below, including but not limited to advance funding agreements, reimbursement agreements or loans to the special district from a Developer, where such an agreement creates an obligation of any kind which may require the special district to re-pay the Developer. The term "Developer" means any person or entity (including but not limited to corporations, venture partners, proprietorships, estates and trusts) that owns or has a contract to purchase undeveloped taxable real property located within the boundaries of the special district. The term "Developer Funding Agreement" shall not extend to any such obligation listed above if such obligation has been converted to Debt issued by the special district to evidence the obligation to repay such Developer Funding Agreement, including the purchase of such Debt by a Developer.

District: means the Silverado Ranch Metropolitan District as described in this Service Plan.

External Financial Advisor: means a consultant that: (i) advises Colorado governmental entities on matters relating to the issuance of securities by Colorado governmental

entities, including matters such as the pricing, sales and marketing of such securities and the procuring of bond ratings, credit enhancement and insurance in respect of such securities; (ii) shall be an underwriter, investment banker, or individual listed as a public finance advisor in the Bond Buyer's Municipal Market Place; and (iii) is not an officer or employee of the District and has not been otherwise engaged to provide services in connection with the transaction related to the applicable Debt.

Gallagher Adjustment: means an allowed adjustment to the Maximum Debt Service Mill Levy, Maximum Operational Mill Levy, or Maximum Special Mill Levy intended to offset the effect of adjustments to the ratio between market value and assessed value of taxable property within the District that would cause a reduction in the revenue otherwise produced from such Maximums based on the ratio between market value and assessed value as of January 1 in the year in which the District's organizational election is held.

Initial District Boundaries: means the initial boundaries of the District as described in Exhibit A.

Local Public Improvements: means facilities and other improvements which are or will be dedicated to the County or another governmental or quasi-governmental entity for substantially public use, but which do not qualify under the definition of Regional Public Improvements. Examples would include local streets and appurtenant facilities.

Material Modification: has the meaning described in Section 32-1-207, C.R.S., as it may be amended from time to time.

Maximum Combined Mill Levy: The maximum combined Gallagher-adjusted ad valorem mill levy the District may certify against any property within the District for any purposes.

Maximum Debt Authorization: means the maximum principal amount of Debt that the District may have outstanding at any time, which under this Service Plan is \$5,000,000.

Maximum Debt Service Mill Levy: The maximum Gallagher-adjusted ad valorem mill levy the District may certify against any property within the District for the purpose of servicing any Debt incurred by or on behalf of the District.

Maximum Operational Mill Levy: The maximum Gallagher-adjusted ad valorem mill levy the District may certify against any property within the District for the purposes providing revenues for ongoing operation, maintenance, administration or any other allowable services and activities other than the servicing of Debt. This Maximum

Operational Mill Levy is exclusive of any Maximum Special Mill Levy which might be separately authorized.

Maximum Special Purpose Mill Levy: means maximum Gallagher-adjusted ad valorem mill levy which is allowed in addition to the allowable Maximum Debt Service Mill Levy and the Maximum Operational Mill Levy (*E.g. a special earmarked levy for fire*

protection or covenant enforcement etc. – identify use within definition)

Planning and Community Development Department The department of the County formally charged with administering the development regulations of the County.

Public Improvements: Those improvements constituting Regional Public Improvements and Local Public Improvements collectively.

Public Improvement Fee: means any privately-imposed transaction-based charge on property within the boundaries of the District that is received by the District for application to authorized District purposes.

Regional Public Improvements: Facilities and other improvements which are or will be dedicated to the County or another governmental or quasi-governmental entity for substantially public use, and which serve the needs of the region.

Revenue Obligations: means bonds or other obligations not subject to annual appropriation that are payable from a pledge of revenues other than *ad valorem* property taxes.

Service Plan: means this Service Plan for the District.

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

State: means the State of Colorado.

Underlying Land Use Approvals: means Board of County Commissioners approval of the applicable land use plans that form the basis for the need for the District and its proposed financing plan and/or services. Such approvals may be in the form of one or a combination of Sketch Plans, Generalized Planned Unit Development (PUD) Development Plans, site-specific PUD plans, or subdivision plans.

III. INTRODUCTION

A. Overall Purpose and Intent

The Silverado Metropolitan District will be created pursuant to Title 32 Colorado Revised Statutes. The District is an independent unit of local government, separate and distinct from the County, and, except as may otherwise be provided for by State or local law or this Service Plan, their activities are subject to review by the County only insofar as they may deviate in a material matter from the requirements of the Service Plan. It is intended that the District will provide a part or all of various Public Improvements necessary and appropriate for the development of a project within the unincorporated County to be known as “Silverado Ranch” (the “Project”). The Public Improvements will be constructed for the use and benefit of all anticipated inhabitants and taxpayers of the District. The primary purpose of the District will be to finance the construction of these Public Improvements. This is a Conventional Representative District.

B. Need for the District

There are currently no other governmental entities, including the County, 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 Project. Formation of the District is therefore necessary in order for the Public Improvements required for the Project to be provided in the most economic manner possible. A district allows for the new growth to fund the cost of public improvements while lowering the cost of the same to the homeowner. This keeps the cost of the new home competitive in the market place. A district will always be in place for any maintenance purposes such as roads and park and rec features

C. County Objectives in Forming the District

The County recognizes this District as an independent quasi-municipal entity which is duly authorized for the purposes and functions identified in the Service Plan. Future County involvement in the affairs of the District will generally be limited to functions as required by the Colorado Revised Statutes, reporting and disclosure functions, determinations as to compliance with the limits as set forth in this Service Plan or any conditions attached to its approval, as well as additional activities or relationships as may be stipulated in any intergovernmental agreements which may be entered in to between the District and the County in the future.

In approving this Service Plan the objectives of the County include an intent to allow the applicant reasonable access to public tax-exempt financing for reasonable costs associated with the generally identified Public Improvements and to allow the applicant the ability to prudently obligate future property owners for a reasonable share of the repayment costs of the Public Improvements which will benefit the properties within this District.

In approving this District as a Conventional Representative District, it is also an

objective of the County to maximize opportunities for full representative participation on the part of future eligible electors. However, because many of the critical financing decisions will be made prior to the existence of resident electors, it is the further intent of the County to accommodate and allow for reasonable and constructive ongoing notice to future property owners of the probable financial impacts associated with owning property within the District.

D. Specific Purposes -Facilities and Services

The District is authorized to provide the following facilities and services, both within and without the boundaries of the District as may be necessary:

1. WATER – Initially homes will be served by wells but in the future the District may design and construct the necessary water lines to connect to a future provider.
 2. WASTEWATER –Initially homes will be served by individual septic systems but in the future the District may design and construct the necessary wastewater lines to connect to a future provider.
 3. STREET IMPROVEMENTS AND SAFETY PROTECTION - Design and construction of arterial, collector and local roads and related safety protection devices including, but not limited to, lighting, landscaping, and traffic and safety controls and devices. Roads are to be owned and maintained by the District.
 4. PARK AND RECREATION – Design, acquire, construct, operate and maintain recreational facilities including, but not limited to parks, open spaces, trails, fencing and landscaping.
- The District shall have no authority to apply for or utilize any Conservation Trust (Lottery) funds without the express prior consent of the Board of County Commissioners. The District shall have the authority to apply for and receive any other grant funds, including, but not limited to Great outdoors Colorado (GOCO) discretionary grants. Such approval, although required, is not considered to be a major modification which would require the need to revise the Service Plan.
5. Drainage – The design, acquisition, installation, construction, financing, operation, and maintenance of drainage and storm sewer systems, including but not limited to, channels, culverts, dams retaining walls, access ways inlets, detention ponds and paving, roadside swales, curb and gutter, flood and surface drainage disposal works and facilities together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities or system.
 6. 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.
 7. COVENANT ENFORCEMENT AND DESIGN REVIEW - Covenant enforcement limited to the funding of the costs of architectural control and enforcement.

E. OTHER POWERS.

1. Amendments. The District shall have the power to amend this Service Plan as needed, subject to appropriate statutory procedures as set forth in Section 32-1-207, C.R.S.;

2. Authority to Modify Implementation of Financing Plan and Public Infrastructure. Without amending this Service Plan, the District may defer, 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.

F. OTHER STATUTORY POWERS.

The District may exercise such powers as are expressly or impliedly granted by Colorado law, if not otherwise limited by the Service Plan or its conditions of approval.

G. EMINENT DOMAIN.

The District may exercise the power of eminent domain or dominant eminent domain only as necessary to further the clear public purposes of the District.

The power of eminent domain and/or dominant eminent domain shall be limited to the acquisition of property that the District intends to own, control or maintain by the District or other governmental entity and is for the material use or benefit of the general public. The term “material use or benefit for the general public” shall not include the acquisition of property for the furtherance of an economic development plan, nor shall it include as a purpose an intent to convey such property or to make such property available to a private entity for economic development purposes. The phrase “furtherance of an economic development plan” does not include condemnation of property to facilitate public infrastructure that is necessary for the development of the Project.

H. INTERGOVERNMENTAL AGREEMENTS (IGA’S).

None contemplated.

I. DESCRIPTION OF PROPOSED BOUNDARIES.

1. Initial District Boundaries. A vicinity map showing the general location of the District and its boundaries is included as Exhibit A. The legal description of the district boundaries is in Exhibit A.

2. Additional Inclusion Area. Those properties listed on Exhibit B.

3. Analysis of Alternatives. the creation of the district will be in the best interests 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 which 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, an Association may lack both the financing ability, the flexibility and the longevity that would be provided by the District. Additionally, an Association would not possess certain of the statutory powers that are allowed to the District.

It is not contemplated that there will be a Homeowners Association. Covenant enforcement and after full development, architectural approval, will be the responsibility of a Colorado Not For Profit Corporation whose expenses will be funded by the District mill levies.

Insofar as the development consists of proposed residential densities within its boundaries, there should be an entity separate from the developer to finance the cost of public improvements 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. After formation of the District, it is the intent to dissolve the existing Homeowners' Association.

4. Material Modifications/Service Plan Amendment. Material modifications of this Service Plan shall, at a minimum, trigger the need for prior approval of the Board of County Commissioners at an advertised public hearing and may require a need for a complete re-submittal of an amended Service Plan along with a hearing before the County's planning commission. For the purpose of this Service Plan the following changes shall be considered material modifications:

a. Any change in the basic services provided by the District, including the addition of any types of services not authorized by this Service Plan.

b. Any other matter which is now, or may in the future, be described as a material modification by the Special District Act.

c. Imposition of a mill levy in excess of any of the Maximum Mill Levies as authorized in this approved Service Plan.

d. Issuance of Debt in excess of the Maximum Debt Authorization authorized in this Service Plan

e. Issuance of any Debt with a maturity period of greater than thirty (30) years, from the date of issuance of such Debt.

f. Creation of any sub-districts as contemplated in the Special District Act.

g. Inclusion into the District of any property over five (5) miles from the combined area of the Initial District Boundaries and the Additional Inclusion Areas unless explicitly contemplated in this Service Plan.

IV. DEVELOPMENT ANALYSIS

A. Existing Developed Conditions.

At the present time there are roads and park and recreational facilities within the District boundaries and there is no population.

B. Total Development At Project Buildout

At complete project build-out, development within the District is planned to consist of 64 detached single family residential units. The prices of homes in the project are expected to average \$750,000 in year 2021 dollars.

C. Development Phasing and Absorption

Absorption of the project is projected to take approximately 6-10 years, beginning in 2021 and is further described in the Development Summary Table found at Exhibit C.

D. Status of Underlying Land Use Approvals

The underlying land use approval has been approved by the Planning Commission and the Board of County Commissioners.

V. INFRASTRUCTURE SUMMARY

Attached as Exhibit D is an analysis of the Infrastructure Capital Costs for the entire projects which are anticipated to be required within this District and total \$1,500,000. A general description of the categories of Public Improvements is included in Exhibit D of this Service Plan. It is estimated that the Developer will finance the Public Improvements subject to reimbursement from District revenues.

All Public Improvements will be designed and constructed in accordance with the standards of the governmental entity to which such Public Improvements will be dedicated (including, with respect to storm sewer and drainage facilities, the applicable NPDES standards), and otherwise in accordance with applicable El Paso County standards. The composition of specific Public Improvements will be determined in connection with applicable future land use and development approvals required by El Paso County rules and regulations.

VI. FINANCIAL PLAN SUMMARY

A. Financial Plan Assumptions and Debt Capacity Model.

Since it is not contemplated that bonds would be issued initially, there is a simplified

financial plan at Exhibit D. As revenues are generated the contractual mill levy would be used to reimburse the developer for the cost of infrastructure.

B. Maximum Authorized Debt.

The District is authorized to issue Debt up to \$10,000,000 in principal amount; however it is not anticipated that bonds will be issued. The amount owing for developer reimbursement may be converted to debt. This amount is necessary in order to cover future inflationary costs and to have a cushion in the case additional public improvements are required.

C. Maximum Mill Levies.

1. Maximum Debt Service Mill Levy. The Maximum Debt Service Mill Levy shall be forty (40) mills subject to Gallagher adjustment. All debt issued by the District must be issued in compliance with the requirements of Section 32-1-1101, C.R.S. and all other requirements of law.

2. Maximum Operational Mill Levy. The Maximum Operational Mill Levy Cap shall be ten (10) mills, subject to Gallagher Adjustment.

3. Maximum Special Purpose Mill Levy Cap. The Maximum Special Purpose Mill Levy is 0 Mills.

4. Maximum Combined Mill Levy. The Maximum Combined Mill Levy is 50 Mills, subject to Gallagher Adjustment.

Increases to or removal of the Maximum Mill Levies shall be subject to Board of County Commissioner approval without the need for a formal Service Plan Amendment (unless the Board otherwise requires).

D. Maximum Maturity Period For Debt.

The period of maturity for issuance of any Debt (but not including Developer Funding Agreements) shall be limited to no more than thirty (30) years without express, prior approval of the Board of County Commissioners. Such approval, although required, is not considered to be a Material Modification of the Service Plan which would trigger the need to amend said Service Plan. However, the District is specifically authorized to refund or restructure existing Debt so long as the period of maturity for the refunding or restructured Debt is no greater than 30 years from the date of the issuance thereof.

E. Developer Funding Agreements.

The Developer does intend to enter into Developer Funding Agreements with the District in addition to recovery of the eligible costs associated with creation of this District. It is anticipated that in the formative years the District will have shortfalls in funding its capital costs and monthly operations and maintenance expenses. The Developer may fund these obligations for the District to promote the Project's development subject to the Developer being repaid from future

District revenues.

Developer Funding Agreements may allow for the earning of simple interest thereon, but under no circumstances shall any such agreement permit the compounding of interest. The Developer Funding Agreements may permit an interest rate that does not exceed the prime interest rate plus two points thereon.

The maximum term for repayment of a Developer Funding Agreement shall be twenty (20) years from the date the District becomes obligated to repay the Developer Funding Agreement under the associated contractual obligation. For the purpose of this provision, Developer Funding Agreements are considered repaid once the obligations are fully paid in cash or when converted to bonded indebtedness of the District (including privately placed bonds). Any extension of such term is considered a Material Modification and must be approved by the Board of County Commissioners.

Required disclosure notices shall clearly identify the potential for the District to enter into obligations associated with Developer Funding Agreements.

F. Privately Placed Debt Limitation.

Prior to the issuance of any privately placed Debt, the District shall obtain the certification of an External Financial Advisor substantially as follows: We are [I am] an External Financial Advisor within the meaning of the District's Service Plan.

We [I] certify that (1) the net effective interest rate (calculated as defined in Section 32-1-103(12), C.R.S.) to be borne by [insert the designation of the Debt] does not exceed a reasonable current [tax-exempt] [taxable] interest rate, using criteria deemed appropriate by us [me] and based upon our [my] analysis of comparable high yield securities; and (2) the structure of [insert designation of the Debt], including maturities and early redemption provisions, is reasonable considering the financial circumstances of the District.

G. Revenue Obligations. The District shall also be permitted to issue Revenue Obligations in such amount as the District may determine. Amounts issued as Revenue Obligations are not subject to the Maximum Debt Authorization.

VII. OVERLAPPING TAXING ENTITIES, NEIGHBORING JURISDICTIONS AND INTERGOVERNMENTAL AGREEMENTS

A. Overlapping Taxing Entities.

The directly overlapping taxing entities and their respective Year 2018 mill levies are as follows:

El Paso County	8.980 mills
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El Paso County Road and Bridge	.382	mills
Ellicott School District No. 22 Gen	31.273	mills
Ellicott School District No. 22 Bond	5.404	mills
Pikes Peak Library District	4.464	mills
Ellicott Fire Protection	9.838	mills
Upper Black Squirrel	1.223	mills
Total	61.564	mills

The total mill levy including the proposed levy to be certified by this District is 101.564 mills.

It is not anticipated that there will be any financial impacts to these entities.

B. Neighboring Jurisdictions.

The following additional taxing and or service providing entities include territory within three miles of the Initial District Boundaries:

El Paso County
Ellicott School District No. 22
Hanover School District No. 28
Pikes Peak Library District
Ellicott Fire Protection District
Upper Black Squirrel Creek Ground Water Management District
Cherokee Metropolitan District
Sunset Metropolitan District
Ellicott Metropolitan District
Hanover Fire Protection District
El Paso County Conservation District
Central Colorado Conservation District

There will be no adverse financial impacts to these entities.

VIII. DISSOLUTION

A. Dissolution. Upon an independent determination of the Board of County Commissioners that the purposes for which the District was created have been accomplished, the District agrees to the dissolution of the District, pursuant to the applicable State statutes. In no event shall dissolution occur until the District has provided for the payment or discharge of all of its outstanding indebtedness and other financial obligations as required pursuant to State statutes.

B. Administrative Dissolution. The District shall be subject to administrative dissolution by the Division of Local Government as set forth in Section 32-1-710, C.R.S.

IX. COMPLIANCE

A. An Annual Report and Disclosure Form will be required and submitted as

described in C.R.S. 32-1-207(3)(d) and as further articulated by the Board of County Commissioners.

B. Material Modifications of this Service Plan shall be subject to the provisions contained in Section 32-1-207, C.R.S., relating to approvals and notices thereof.

X. MISCELLANEOUS.

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

A. Special District Act.

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

B. Disclosure to Prospective Purchasers.

After formation of the District, and in conjunction with final platting of any properties within the proposed District, the applicable Board of Directors of the District shall prepare a notice acceptable to the Planning and Community Development Department Staff informing all purchasers of property within the District of the District's existence, purpose and debt, taxing, and other revenue-raising powers and limitations. Such notice obligation shall be deemed satisfied by recording the notice with this Service Plan and each final plat associated with the Project, or by such other means as the Planning and Community Development Department Services Department approves. Such notice shall be modified to address the potential for future Debt issuance which may be required to meet the obligations associated with loans incurred by the District. In conjunction with subsequent plat recordings, Development Services Department staff is authorized to administratively approve updates of the disclosure form to reflect current information.

C. Local Improvements.

Prior to the financing of Local Public Improvements, and if required by County policy uniformly applied, agreements shall be in place to prevent a loss of sales tax revenue from sales of construction materials which would otherwise accrue to the County.

D. Service Plan not a Contract.

The grant of authority contained in this Service Plan does not constitute the agreement or binding commitment of the District enforceable by third parties to undertake the activities described, or to undertake such activities exactly as described.

E. Land Use and Development Approvals.

Approval of this Service Plan does not imply approval of the development of a specific area within the Project, nor does it imply approval of the number of residential units or

the total site/floor area of commercial or industrial buildings identified in this Service Plan or any of the exhibits attached thereto. All such land use and development approvals shall be processed and obtained in accordance with applicable El Paso County rules, regulations and policies.

XI. CONCLUSION

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

- A. There is sufficient existing and projected need for organized service in the area to be serviced by the proposed District;
- B. The existing service in the area to be served by the proposed District is inadequate for present and projected needs;
- C. The proposed District is capable of providing economical and sufficient service to the Project;
- D. 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;
- E. 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;
- F. The facility and service standards of the proposed District are compatible with the facility and service standards of the County;
- G. The proposal is in substantial compliance with the County master plan.
- H. The creation of the proposed District is in the best interests of the area proposed to be served.

Susemihl, McDermott & Downie, P.C.