

RESOLUTION #R- 81-2004

**A RESOLUTION OF THE LOVELAND CITY COUNCIL
APPROVING THE CONSOLIDATED SERVICE PLAN FOR THE
LOVELAND MIDTOWN METROPOLITAN DISTRICTS NOS. 1-4**

WHEREAS, pursuant to C.R.S. Section 32-1-204.5, as amended, the Consolidated Service Plan for the Loveland Midtown Metropolitan Districts Nos. 1-4 ("the Districts") has been submitted to the City Council (the "City Council") of the City of Loveland, Colorado (the "City"); and

WHEREAS, a copy of the said Consolidated Service Plan is attached hereto as Exhibit "A" and incorporated herein by reference ("the Service Plan"); and

WHEREAS, the boundaries of the proposed Districts are wholly contained within the boundaries of the City; and

WHEREAS, notice of the hearing before the City Council for its consideration of the Service Plan was duly published in the *Loveland Reporter-Herald* on August 18, 2004, as required by law, as evidenced by the "Affidavit of Publication" attached hereto as Exhibit "B" and incorporated herein by reference; and

WHEREAS, notice of the hearing before the City Council was also duly mailed by first class mail, on August 23, 2004, to interested persons, defined as follows: (1) the Colorado Division of Local Government; and (2) the governing body of any municipality or special district which has levied an ad valorem tax within the next preceding tax year, and which has boundaries within a radius of three (3) miles of the proposed Districts' boundaries, as evidenced by the Certificate of Service attached hereto as Exhibit "C" and incorporation herein by reference; and

WHEREAS, pursuant to the provisions of Title 32, Article 1, C.R.S., as amended, the City Council held a public hearing on the Service Plan for the proposed Districts on September 7, 2004; and

WHEREAS, the City Council has considered the Service Plan and all other testimony and evidence presented at the hearing.

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

1. That the hearing before the City Council was open to the public; that all interested parties were heard or had the opportunity to be heard; and that all relevant testimony and evidence submitted to the City Council was considered.

2. That evidence satisfactory to the City Council for finding each of the following was presented at the hearing:

a. there is sufficient existing and projected need for organized service in the area to be served by the proposed Districts;

b. the existing service in the area to be served by the proposed Districts is inadequate for present and projected needs;

c. the proposed Districts are capable of providing economical and sufficient service to the area within their proposed boundaries;

d. the area to be included within the proposed Districts has, or will have, the financial ability to discharge the proposed indebtedness on a reasonable basis;

e. adequate service is not or will not be available to the area through the City or other existing municipal or quasi-municipal corporations within a reasonable time and on a comparable basis;

f. the facility and service standards of the proposed Districts are compatible with the facility and service standards of the City;

g. the proposal is in substantial compliance with any Master Plan adopted by the City pursuant to C.R.S. Section 31-23-206, as amended;

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

i. the creation of the Districts will be in the best interests of the area proposed to be served.

3. That the City Council hereby determines that the requirements of C.R.S. Sections 32-1-202 (1), (2) and (3) relating to the filing of the Service Plan for the Districts, and the requirements of Sections 32-1-204 (1) and (1.5) relating to notice of the hearing by the City Council, and the requirements of C.R.S. Section 32-1-204.5 relating to the approval by the City Council have been fulfilled in a timely manner.

4. That the City Council does hereby approve the Service Plan for the Districts as submitted.

5. That a certified copy of this Resolution shall be filed in the records of the City and the Larimer County Clerk and Recorder, and submitted to the petitioners under the Service Plan for the purpose of filing in the District Court of Larimer County.

6. That the Service Plan contemplates that the Districts will propose to the Loveland Urban Renewal Authority ("the Authority") that an intergovernmental agreement be entered into between the Districts, the City and the Authority pursuant to which the Authority would pledge to the Districts certain tax increment revenues of the Authority to be used to finance the construction of public improvements for an urban renewal catalyst project. The Service Plan also provides that the Districts shall not issue any bonds or other debt prior to the Authority and the District entering into such an intergovernmental agreement. Approval of the Service Plan by this Resolution shall, therefore, not constitute approval by the Authority or by the City of any such agreement and the City Council, both as the governing body of the City of Loveland and of the Authority, hereby reserves all rights to approve or disapprove such intergovernmental agreement as it deems appropriate in its sole discretion.

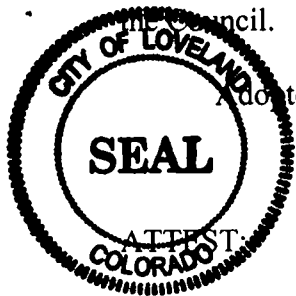
7. That nothing herein limits the City's powers with respect to the Districts, the properties within the Districts, or the improvements to be constructed by the Districts.

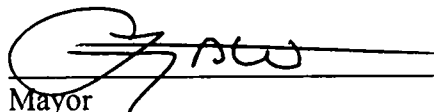
8. The City's findings are based solely on the evidence in the Service Plan and such other evidence presented at the public hearing and the City has not conducted any independent investigation of the evidence. The City makes no guarantee as to the financial viability of the Districts or the achievability of the results as set forth in the Service Plan.

9. That the City Council's finding in this Resolution and its approval of the Service Plan are conditioned upon the proponents of the Service Plan having reimbursed the City for all of the charges and fees it has incurred with its bond counsel and public finance consultant relating to review of the Service Plan and creation of the Districts.

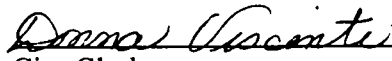
10. That this Resolution shall go into effect as of the date and time of its adoption by the Council.

Adopted this 7th day of September, 2004.



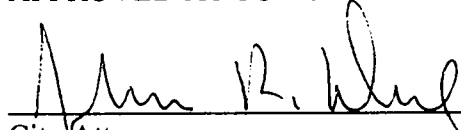


Mayor



City Clerk

APPROVED AS TO FORM:



City Attorney

EXHIBIT A

CONSOLIDATED SERVICE PLAN

FOR

LOVELAND MIDTOWN METROPOLITAN DISTRICTS NOS. 1-4

City of Loveland, Colorado

Prepared by

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AUGUST 31, 2004

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I. INTRODUCTION

A. General Overview. This consolidated service plan ("Service Plan") for Loveland Midtown Metropolitan Districts Nos. 1-4 (hereinafter collectively referred to as the "Districts") constitutes a combined service plan for four special districts proposed to be organized to serve the needs of a new community (the "Project"). Loveland Midtown Metropolitan District No. 1 shall hereinafter be known as "the Operating District," and Loveland Midtown Metropolitan Districts Nos. 2-4 shall hereinafter be known as "the Financing Districts." The Districts are located entirely within the boundaries of the City of Loveland, Colorado ("City"). Boundary maps of the Districts are contained in Exhibits A and B to this Service Plan, respectively.

In general, the Financing Districts will serve to provide funding to the Operating District for construction, operation and maintenance of the facilities and improvements described herein. The Operating District will manage the financing, construction, operation and maintenance of such facilities and improvements. Agreements between the Districts will identify the timing, purposes and scope of issuance of bonds by the Financing Districts to fund those activities. The "Financing Plan" discussed herein shall be a consolidated financial plan for the Districts as a result of the inherent financial ties which the Districts will have to each other for the provision of public improvements for the project and for the payment of Debt.

The use of a consolidated Service Plan for the proposed Districts will help ensure proper coordination of the powers and authorities of the 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, the general provisions of this Service Plan apply to the Districts collectively. Where necessary, however, specific reference is made to an individual District to help distinguish the powers and authorities of each District.

The purpose of the Districts will be to finance the Public Improvements for the benefit of its inhabitants and taxpayers, the majority of which may be dedicated to City, its designee, or other entities as provided herein or as City otherwise requires. Certain other improvements may be dedicated to other service districts or retained by the Operating District for continued operation and maintenance. The improvements to be furnished by the Districts as well as a demonstration of how the Districts will best provide the necessary public improvements in a cost effective manner, from available resources, and by coordination with surrounding service providers, are described herein.

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 the Districts and describes the limitations and restrictions placed thereon. In addition to the powers and authorities enumerated herein, the Districts may engage in other activities, with the City's approval. The information provided herein is preliminary in nature and is subject to change as development within the Project evolves. As plans for development are refined and finalized, the Districts shall be required to provide additional information regarding the construction and financing of the public

improvements contemplated herein. The requirements and limitations applicable to said additional information are defined herein below.

B. Contents of Service Plan. Numerous items are included in this Service Plan in order to satisfy the requirements of law for the formation of a special district. It is the Districts' contention that this Service Plan meets each of those requirements as well as any and all relevant requirements of the City Code. The assumptions contained herein were derived from a variety of sources. Legal advice in the preparation of this Service Plan was provided by the law firm of White, Bear & Ankele Professional Corporation, general counsel to the District, which represents numerous special districts. Because of the early stage of the development plans for the Districts, this Service Plan is to be considered strictly preliminary in nature. Upon approval of this Service Plan, the proponents of the Districts shall be entitled to seek a court order permitting organization of the Districts pursuant to state law. Following entry of court orders formally decreeing the Districts organized, and continuing until an "Amended Service Plan" (as defined herein) is approved by the City, the Districts shall have no authority under state law or this Service Plan to undertake any activity except minimal administrative or ministerial activities required by state law to maintain the Districts as lawfully existing political subdivisions of the state. Without limiting the generality of the foregoing, the Districts may not levy any taxes, impose any fees or incur any debt until the Amended Service Plan is approved by the City Council.

C. Existing Services and Districts. There are currently no other entities in existence located in the surrounding area which have the ability and/or desire to undertake the design, financing and construction of the Public Improvements. It is also the Districts' understanding that the City does not consider it feasible or practicable to provide the Public Improvements. Consequently, the powers and authorities requested under this Service Plan are deemed necessary. The level of the Public Improvements makes organization of the Districts critical so that both the construction and financing costs may be undertaken at acceptable levels.

In order to minimize the proliferation of new governmental structures and personnel, the Districts intend to utilize existing entities as much as possible to operate and maintain the Public Improvements it provides. In order to avoid double taxation in this regard, the Districts will undertake the necessary capital financing by issuing Debt, and those entities furnishing daily operations and maintenance will impose service charges and operating levies pursuant to their standard operating procedures.

II. DEFINITIONS

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

Amended Service Plan: means a complete amendment and restatement of this Service Plan which shall be considered for approval after a public hearing by the City, and containing such provisions, terms and conditions as are acceptable to the Districts and the City. If approval of an Amended Service Plan is obtained, the Districts shall operate and exist solely pursuant to said Amended Service Plan.

Approved Development Plan: means the approved plan for development of the Project, derived from the City's development review process or other process established by the City for identifying, among other things, Public Improvements necessary for facilitating development for property within the Districts as approved by the City pursuant to the City Code and as amended pursuant to the City Code from time to time.

Boards: means the board of directors of the Districts.

Bond, Bonds or Debt: means bonds or other obligations for the payment of which the Financing District has promised to impose an *ad valorem* property tax mill levy.

City: means the City of Loveland, Colorado.

City Code: means the City Code of the City of Loveland, Colorado.

City Council: means the City Council of the City of Loveland, Colorado.

City Policy: means all applicable provisions of the City's charter, code, rules, regulations, resolutions, policies and standards.

Financial Plan: means the Financial Plan described in Section VII which describes (a) how the Public Improvements are to be financed; (b) how the Debt is expected to be incurred; and (c) the estimated operating revenue derived from property taxes for the first budget year.

Financing Districts: means Loveland Midtown Metropolitan District Nos. 2-4.

LURA: means the Loveland Urban Renewal Authority.

Material Modification: means such changes to this Consolidated Service Plan as are described in the Amended Service Plan.

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

Maximum Mill Levy Imposition Term: means the maximum term for imposition of a mill levy on a particular property developed for commercial and residential uses as set forth in Section VI below.

MFA: means a Master Financing and Intergovernmental Agreement entered into between the Operating District, the City, the LURA, and such other parties as shall be deemed necessary, for the purpose of providing a framework for financing and constructing the improvements necessary to development of the Project.

Operating District: means Loveland Midtown Metropolitan District No. 1.

Public Improvements: means a part or all of the improvements authorized to be planned, designed, acquired, constructed, installed, relocated, redeveloped and financed as generally described in the Special District Act, except as specifically limited in Section V below to serve the future taxpayers and inhabitants of the Service Area as determined by the Board of one or more of the Districts.

Public Improvements Matrix: means the exhibit to be contained in the Amended Service Plan which addresses the entity responsible for financing, construction, ownership, operation and maintenance of each Public Improvement contemplated herein.

Service Plan: means this service plan for the Districts as approved by City Council.

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.

III. PURPOSE OF AND NEED FOR THE DISTRICTS AND GENERAL POWER

A. Purpose and Intent. The purpose of the Districts will be to finance the Public Improvements for the benefit of their taxpayers. It is not the Districts' intent to provide ongoing services other than as specifically set forth herein, or as might be authorized by the City from time to time. The Districts acknowledge the need to cooperate with the City in order to properly serve and promote the health, safety and welfare of its inhabitants and it hereby expresses its intention to do so.

B. General Powers. The Districts shall have the power and authority to provide the Public Improvements and related operation and maintenance services within and without the boundaries of the Districts as such power and authority is described in the Special District Act, and other applicable statutes, common law, City Policy, and the Colorado and U.S. Constitutions, subject to the limitations set forth herein. The Districts will ensure that the proposed Public Improvements are designed and constructed in accordance with applicable facility and service standards and specifications of the City, other governmental entities having proper jurisdiction, and of those special districts that qualify as "interested parties" under Section 32-1-204 (1), C.R.S. The Districts will obtain the City's approval of civil engineering plans and will obtain applicable permits for construction and installation of Public Improvements prior to performing such work. The Districts shall have the power and authority to provide the Public Improvements and related operation and maintenance services within and without the boundaries of the Districts as such power and authority is described in the Special District Act, and other applicable statutes, common law, City Policy, and the Colorado and U.S. Constitutions, subject to the limitations set forth herein. Such authorization includes, but is not necessarily limited to the following:

1. Water. The design, acquisition, installation and construction of a complete water and irrigation water system, including but not limited to transmission and distribution systems for domestic and other public or private purposes, together with all necessary and proper facilities, 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, as well as any and all extensions of and improvements made thereto. The Districts shall not be authorized to design, acquire, install or construct water treatment plants without the express prior written approval of the City.

2. Streets. The design, acquisition, installation, construction, operation, and/or maintenance of street and roadway improvements, exclusive of water or sewer improvements, including, but not limited to: curbs, gutters, culverts, storm sewers and other natural or man-made drainage facilities, detention ponds, retaining walls, sidewalks, bridges, parking facilities, paving, lighting, grading, landscaping, tunnels and/or other street improvements, together with all necessary, incidental, and appurtenant facilities, land and easements, as well as any and all extensions of and improvements made thereto.

3. Traffic and Safety Controls. The design, acquisition, installation and construction of traffic and safety protection facilities and services through traffic and safety controls and devices on streets and highways, environmental monitoring, as well as other facilities and improvements including but not limited to, main entry buildings, access gates, signalization at intersections, traffic signs, area identification signs, directional assistance, and driver information signs, together with all necessary, incidental, and appurtenant facilities, land easements, as well as any and all extensions of and improvements made thereto.

4. Sanitation. The design, acquisition, installation and construction of sanitary sewers, lift stations and force mains, 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 facilities or systems. The Districts shall not be authorized to design, acquire, install or construct wastewater treatment plants without the express prior written approval of the City.

5. Drainage and Stormwater Quality. The design, acquisition, installation and construction of storm sewers, flood and surface drainage, channels, culverts, storm sewers and other drainage facilities, detention ponds, fishing ponds, water quality control facilities, retaining walls, erosion control structures and appurtenances, and all necessary or proper equipment or appurtenances incident thereto, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities or systems.

6. Parks and Recreation. The design, acquisition, installation, construction, operation and maintenance of public park and recreation facilities or programs including, but not limited to, swimming pools and spas, tennis courts, exercise facilities, museums, cultural and community facilities, bike paths, hiking trails, pedestrian trails, pedestrian bridges, pedestrian malls, plaza areas and amenities, public fountains and sculpture, art, botanical gardens,

equestrian trails and centers, picnic areas, skating areas and facilities, urban village green spaces, common area landscaping and weed control, outdoor lighting of all types, community events, and other facilities, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities or systems.

7. Transportation. The design, acquisition, installation, construction, operation and maintenance of public transportation system improvements, including transportation equipment, park and ride facilities and parking lots, parking structures, roofs, covers, and related facilities together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities or systems. The foregoing shall include, but not be limited to, public facilities for commercial structures consisting of restrooms, buses, automobiles, and other means of conveyance, as well as structures relating to the repair, operations and maintenance of the same.

8. Television Relay and Translator. The design, acquisition, construction, completion, installation and/or 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 made thereto.

9. Mosquito and Pest Control. The design, acquisition, installation, construction, operation, and/or maintenance of systems and methods for the elimination and control of mosquitoes, rodents and other pests.

10. Legal Powers. The powers of the Districts will be exercised by their respective Boards to the extent necessary to provide the Public Improvements and the services contemplated in this Service Plan. Said services, facilities and improvements will be carried out pursuant to, and in accordance with, the procedures and conditions contained in the Special District Act, other applicable Colorado statutes, City Policy, and this Service Plan, as any or all of the same may be amended from time to time.

11. Other. In addition to the powers enumerated above, the Districts' Boards shall also have the following authority:

a. To amend this Service Plan as contemplated herein and in the manner provided herein, as well as pursuant to Sections 32-1-101, *et seq.*, C.R.S., except that all material modifications, including, without limitation, those defined in Section 32-1-207(2), C.R.S., must first be approved by the City Council; and

b. To forego, reschedule, or restructure the financing and construction of certain improvements and facilities in order to better accommodate the pace of growth, resource availability and potential inclusions of property within the Districts and to determine if some or all of the improvements and facilities contemplated herein would best be performed by another entity; and

c. To provide all such additional services and exercise all such powers as are expressly or impliedly granted by Colorado law, and which special districts are required to provide or exercise or, in their discretion, choose to provide or exercise; and

d. To exercise all necessary and implied powers under Title 32, C.R.S., in the reasonable discretion of the Districts' Boards.

12. Dedication to the City. Other than as set forth herein, once construction and/or installation is complete, the Districts shall dedicate all public water and wastewater improvements, public streets and streets dedicated by plat, public drainage facilities, and public sidewalks to the City, together with all necessary rights-of-way and easements for access thereto. Once construction and/or installation is complete and the public improvements in questions are to be dedicated, the City will issue an "Initial Acceptance" letter to the Districts specifying that the public improvements shall be under warranty for two calendar years from the date of acceptance, or such other warranty period as may be required by City Policy. At the completion of such warranty period, the City shall issue a "Final Acceptance" letter to the Districts accepting ownership and control over such improvements, provided that the public improvements in question conform to the specifications and standards of the City.

13. Ownership/Operation by the District. the Districts are expected to undertake all ownership, operation and maintenance responsibilities for any and all improvements not dedicated to or accepted by the City, and may elect to do so either itself or by contract with a property owners' association or similar entity.

14. Acquisition of Land. The Districts agree to acquire, by easement or plat dedication and at no cost to the City, all land necessary for construction of the public improvements and/or facilities contemplated herein.

15. Offsite Improvements. Except as set forth herein, the Districts shall not be authorized to participate in the funding of any offsite public infrastructure improvements, unless the same is approved by the City by and through a formal amendment to this Service Plan.

16. Condemnation. Absent the prior written approval of the City Council, the Districts shall not exercise their statutory power of eminent domain with respect to property outside their boundaries.

C. Preliminary Engineering Plan. The Districts shall have authority to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment, maintenance and financing of the Public Improvements within and without the boundaries of the District, all in accordance with and as specifically defined in an Approved Development Plan. An estimate of the costs of the Public Improvements which may be planned for, designed, acquired, constructed, installed, relocated, redeveloped, maintained or financed was prepared based upon a preliminary engineering survey and estimates derived from the zoning on the property in the Service Area and is anticipated to be in excess of \$45,000,000 once the Amended

Service Plan is approved. The Districts shall be permitted to allocate costs among such categories of the Public Improvements as deemed necessary in their discretion.

All of the Public Improvements authorized hereunder will be designed in such a way as to assure that the Public Improvements standards will be compatible with those of the City and shall be in accordance with the requirements of the Approved Development Plan. All descriptions of the Public Improvements to be constructed, and their related costs, are estimates only and are subject to modification as engineering, development plans, economics, the City's requirements, and construction scheduling may require. Upon approval of this Service Plan, the Districts will continue to develop and refine cost estimates contained herein and prepare for issuance of Debt. All cost estimates will be inflated to then-current dollars at the time of the issuance of Debt and construction. All construction cost estimates assume construction to applicable local, State or Federal requirements.

The estimated cost of acquiring land, engineering services, legal services and administrative services together with the estimated costs of the Districts' organization and initial operations are anticipated to be in excess of \$100,000, which will be eligible for reimbursement from Debt proceeds.

IV. BOUNDARIES, POPULATION AND ASSESSED VALUATION ESTIMATES

A. Boundary Changes. The Districts will ultimately contain all of the acreage of the Project divided into four categories: 1) the Operating District; 2) the Commercial District; 3) the Residential District, and 4) the Regional Improvements District. The boundaries of the Districts will initially be comprised of that real property set forth in Exhibits A and B. No boundary adjustments may be approved or inclusions of property into the Districts made without prior approval from the City Council. Notification of the same shall be given to the City prior to the Districts holding a public hearing thereon. The improvements described in this Service Plan are necessary and applicable for the entirety of the Project and the Service Plan specifically contemplates inclusion of additional portions of the Project into the boundaries of the Districts and construction of necessary improvements thereon (the "Inclusion Area"). Upon the Developer taking title to additional property and further defining the areas to be developed as residential and commercial properties, the Districts may approve boundary adjustments only with prior approval of the City Council and no property shall be included into the Districts without prior approval by the City Council. Notification of the same shall be given to the City prior to the Districts holding a public hearing thereon.

B. Population and Assessed Valuation Estimates. An estimate of projected and assessed valuations within the Districts will be set forth in the Financial Plan submitted as part of the Amended Service Plan, as the same is contemplated herein. The current population of the Districts is zero persons; at build-out, its population is estimated only for purposes of this Service Plan to be approximately 1,000 persons and the current assessed valuation of the real property contained within the Districts' boundaries is estimated only for purposes of this Service Plan to

be seventy (70) Dollars. Information relating to the projected assessed valuation of the Districts at build-out will be included as part of the Amended Service Plan.

V. PROPOSED AGREEMENTS

To the extent practicable, the Districts may enter into intergovernmental and/or private agreements in order to ensure long-term provision of the improvements and services contemplated herein, and to provide effective management therefor. Said agreements may include, but are not limited to, agreements with property owner associations, governments and/or service providers, agreements between the Districts, and the MFA. Agreements of this nature are authorized by Section 18(2)(a) of Article XIV of the Constitution of the State of Colorado Sections 29-1-201, *et seq.*, Colorado Revised Statutes.

VI. FINANCIAL PLAN

A. General. As described hereinabove, the Districts shall not have the authority, power, or consent to issue debt of any type or amount, certify any mill levy, or undertake any construction activities until such time as the Amended Service Plan is filed with and approved by the City Council. However, and notwithstanding the foregoing, upon obtaining approval for organization from the City Council and the District Court in and for Larimer County, Colorado, the Districts shall be expressly permitted to obtain the necessary voted authorization for increases in debt and taxes as contemplated by the TABOR Amendment, Section 20 of Article X of the Constitution of the State of Colorado. Further, the Districts shall be expressly authorized to enact or adopt resolutions and/or to enter into agreements with private entities authorizing the repayment of operating advances, immediately upon the organization of the Districts. Said agreements may be entered into and said voted authorization may be obtained without submittal or approval of the Amended Service Plan contemplated herein, but the Districts shall not utilize any such voted authorization or issue any debt or bonds until the Amended Service Plan is approved.

The Districts shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment of the Public Improvements from revenues generated by the Financing Districts and by and through the proceeds of Debt to be issued by the Districts. The Financial Plan for the Districts shall be to issue such Debt as the Districts can reasonably pay within the Maximum Mill Levy Imposition Term from revenues derived from the Maximum Mill Levy and other legally available revenues. The Debt that each individual District shall be permitted to issue shall not exceed \$90,000,000, or \$360,000,000 total Debt for all four Districts. Debt shall be permitted to be issued on a schedule and in such year or years as the Districts determine shall meet the needs of the Financial 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 Financing District. The Districts may 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 Section 32-1-1001(1), C.R.S., as amended from time to time.

B. Maximum Voted Interest Rate and Maximum Underwriting Discount. The interest rate on any Debt is expected to be the market rate at the time the Debt is issued. In the event of a default, the proposed maximum interest rate on any Debt is not expected to exceed 18%. The proposed maximum underwriting discount will be 5%. Debt, when issued, will comply with all relevant requirements of this Service Plan, State law and Federal law as then applicable to the issuance of public securities.

C. Maximum Mill Levy. The "Maximum Mill Levy" shall be the maximum mill levy the Financing Districts are permitted to impose upon the taxable property within the Financing Districts for payment of Debt and operations and maintenance expenses, and shall be determined as follows:

The Maximum Mill Levy shall be a mill levy, when combined with the mill levy for the Loveland Midtown District No. 4 (the Regional Improvements District) that does not exceed a level to be established in the Amended Service Plan; provided that if, on or after January 1, 2004, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitation applicable to such Debt may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted for changes occurring after January 1, 2004, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

D. Maximum Mill Levy Imposition Term. The Districts shall not impose a levy for repayment of any and all Debt (or use the proceeds of any mill levy for repayment of Debt) which exceeds a term to be established in the Amended Service Plan from the date of issuance.

E. Refunding. The Districts shall not authorize any refunding of outstanding bonds which could extend the maturity of such bonds, or increase the total debt service thereon, without the prior approval of the City Council. Notwithstanding the foregoing, such prior approval need not be obtained where the refunding or restructuring of outstanding debt of the Districts is being undertaken for the purpose of preventing or averting a default or terminating a condition of default on the bonds.

F. Security for Debt. The Districts shall not pledge any revenue or property of the City as security for the indebtedness set forth in this Service Plan. Approval of this Service Plan shall not be construed as a guarantee by the City of payment of any of the Districts' obligations; nor shall anything in the Service Plan be construed so as to create any responsibility or liability on the part of the City in the event of default by the Districts in the payment of any such obligation.

G. TABOR Compliance. The Districts will comply with the provisions of TABOR. In the discretion of the Boards, the Districts may set up other qualifying entities to manage, fund,

construct and operate facilities, services, and programs. To the extent allowed by law, any entity created by the Districts will remain under the control of the Districts' Boards.

H. Districts' Operating Costs. In addition to the capital costs of the Public Improvements, the Districts will require operating funds for administration and to plan and cause the Public Improvements to be constructed and maintained. The first year's operating budget is estimated to be \$100,000 which is anticipated to be derived from property taxes and other revenues.

VII. GENERAL MATTERS

A. Elections. Following the approval of this Service Plan by the City, and after the issuance of orders calling an election from the District Court in and for Larimer County, an election will be held which will allow the electorate of the Districts to vote on questions regarding organizational issues relating to the District. This election is currently planned for November 2, 2004, but may be held on any legally permissible date. This organizational election, as well as all future elections, will be conducted as provided in the Uniform Election Code of 1992, the Special District Act, and the TABOR Amendment to the Colorado Constitution. The ballot for said organizational election may deal with the following topics (in several questions, but not necessarily using the exact divisions shown here):

1. Whether to organize the Districts;
2. Membership and terms of the initial boards of directors;
3. Approval of new taxes;
4. Approval of mill levies;
5. Approval of bond limits;
6. Approval of limits on other forms of indebtedness;
7. Approval of an initial property tax revenue limit;
8. Approval of an initial total revenue limit; and
9. Approval of an initial fiscal year spending limit

B. Dissolution of the Districts. If proceedings for a Amended Service Plan, as contemplated hereinabove, have not been initiated on or before January 1, 2007, the City may opt to pursue the remedies available to it under Section 32-1-701(3) C.R.S., in order to compel the Districts to dissolve in a prompt and orderly manner. In such an event: 1) the authorized purposes and powers of the Districts shall automatically truncate and be expressly limited to taking only those actions that are reasonably necessary to dissolve; 2) the Districts' boards of directors will be deemed to have agreed with the City regarding its dissolution without an election pursuant to §32-1-704(3)(b), C.R.S.; and 3) the Districts shall thereupon dissolve.

C. Annual Report; Requests for Information. The Districts shall be responsible for submitting an annual report to the City on or before July 1 for the preceding fiscal year. For purposes of this section, a "fiscal year" shall begin on January 1 and end on December 31 of each year. The annual report shall contain the following information as it pertains to each fiscal year:

1. Boundary changes made or proposed;
2. Intergovernmental Agreements with other governmental entities entered into or proposed;
3. Changes or proposed changes in the Districts' policies;
4. Changes or proposed changes in the Districts' operations;
5. Summary of litigation and/or notices of claim which involve the Districts;
6. Proposed construction plans for the year immediately following the report year;
7. Current status of construction of public improvements;
8. A current copy of the Districts' budgets; and
9. A schedule of all fees, charges and assessments imposed in the report year and proposed to be imposed in the following year as well as a summary of the revenues raised or proposed to be raised therefrom.

The annual report shall be signed by either the Districts' legal counsel or by the Districts' President, provided that the latter is attested by the Districts' Secretary. The City reserves the right to request reports from the Districts beyond the mandatory statutory five-year reporting period, per Section 32-1-207(3)(c), C.R.S. In addition to the foregoing, the Districts shall permit the City to inspect all Public Improvements and facilities as well as all of the Districts' books and accounting records.

D. Consolidation. The Districts shall not file a request with the District Court in and for Larimer County to consolidate with any other special district without first obtaining written approval from the City Council.

E. Modification of Service Plan. The Districts must obtain approval from the City Council before making any changes of any kind to this Service Plan.

F. Failure to Comply with Service Plan. In accordance with the authority contained within the City Code, and in the event the Districts take any action constituting a change of any kind to this Service Plan without first obtaining the required approval, the City may utilize any and all remedies available to it at law or in equity to seek to enjoin the actions of the District.

G. Disclosure. The Developer of the property located within the boundaries of the Districts shall undertake best efforts to provide adequate written notice to all purchasers of land in the Districts regarding the existence of any and all additional taxes, charges, or assessments which may be imposed in connection with the District. A copy of said written notice must also be recorded in the real estate records of Larimer County after approval of the content thereof by the attorney for the City. This disclosure shall be a part of the home buying decision and process and must be made as early in the process as possible. Further, the Districts' boards of directors shall notify all commercial and home builders as to its existence, the present tax levy, the average expected tax levy, the maximum expected tax levy, and the maximum tax levy allowable under the Amended Service Plan; the board of directors shall further require such builders to provide such information to home purchasers as early in the home buying process as possible.

H. Conservation Trust Fund Participation. The Districts 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. Any such funds received by the Districts without the City's consent shall be remitted to the City.

VIII. CONCLUSIONS

It is submitted that this Service Plan for Loveland Midtown Metropolitan District Nos. 1-4 has established that the following requirements of Section 32-1-203(2), C.R.S. have been met:

1. There is sufficient existing and projected need for organized service in the area to be served by the Districts; and
2. Existing services in said area to be served are inadequate for present and projected needs; and
3. The Districts are capable of providing economical and sufficient service to the area within their boundaries; and
4. The area included in the Districts has, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis; and
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; and
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; and
7. The proposal is in substantial compliance with a master plan adopted by the City pursuant to § 31-23-206, C.R.S.; and
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 ongoing existence of the Districts is in the best interests of the area proposed to be served.

It is therefore respectfully requested that the City Council, which has jurisdiction to approve this Service Plan by virtue of §32-1-207, C.R.S., *et seq.*, adopt a resolution approving this Service Plan as submitted.

Respectfully submitted,

WHITE, BEAR & ANKELE
Professional Corporation

Alan D. Pogue
Counsel to the District

EXHIBIT A

Legal Description of Initial Boundary of Districts

Tract 1, Koldeway Industrial Addition, City of Loveland, County of Larimer, State of Colorado.

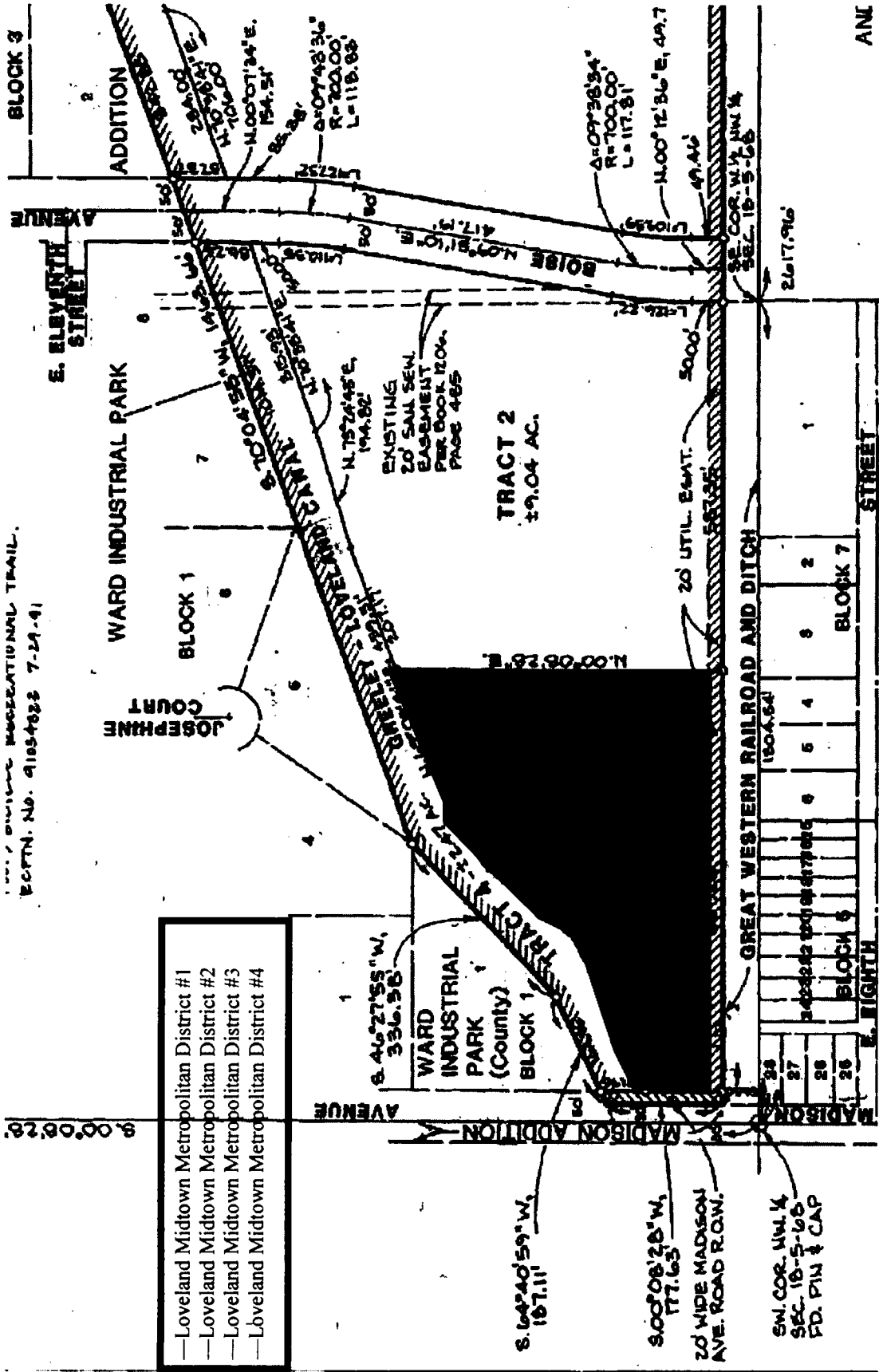
EXHIBIT B

Boundary Map of Initial Boundaries of Districts

Koldeway Industrial Addition

City of Loveland, County of Larimer, State of Colorado

PLANNING DIVISION RECREATION TRAIL
 E.C.F.N. No. 41854823 7-29-91



- Loveland Midtown Metropolitan District #1
- Loveland Midtown Metropolitan District #2
- Loveland Midtown Metropolitan District #3
- Loveland Midtown Metropolitan District #4

WARD INDUSTRIAL PARK (County) BLOCK 1

TRACT 2 ±9.04 AC.

STREET

ANC