City of Colorado Springs

Special Districts White Paper

Economic Development Department
Comprehensive Planning Division
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EXECUTIVE SUMMARY

Introduction and Purpose

The use of special districts as a public financing tool is rapidly expanding and evolving in the State of Colorado. Within the City limits, Colorado Springs approves the creation and operational parameters of these districts in accordance with Colorado Revised Statutes, the City of Colorado Springs Special District Policy (Policy), and the City Code. The **Policy** pertains to Title 32 Special Districts (metropolitan districts), General Improvement Districts (GIDs) and Business Improvement Districts (BIDs) and was last updated on January 24, 2006 (Resolution 9-06). The Policy was first adopted on August 22, 2000 (Resolution 122-00). A copy of the current Policy is included as Attachment 1. The current Policy and/or the **model service plans** (described below) are silent on a number of key issues, either by deliberate decision at the time of the most recent update, or because the topic was either not anticipated or not contemplated in the current Policy.

The purposes of this Paper are to:

1) Provide a short "primer" on special districts, including the authority under which they are organized and used, local and State-wide trends, and general policy issues. Emphasis in this Paper is on **Title 32 special districts** and particularly metropolitan districts, because these districts have the broadest independent powers and purposes, and because Title 32 districts are created and used most commonly, especially in residential areas.
2) Evaluate the City's current Policy with a particular focus on those policy areas and issues where the current Policy is silent.
3) Recommend potential areas of modification to the Policy along with the pros and cons of these general recommendations.

A detailed draft revision to the Policy and Model Service Plans could then be prepared based on further input from the Special District Committee, additional stakeholder input, direction from City Management and potentially from City Council.

Areas of potential policy attention and/or change are summarized below and described in more detail in a table (see Attachment 2).

As a disclaimer, this Paper is intended to present information and issues in a generalized layperson's format and is not intended to be construed as a formal legal or interpretive document. Official documents and legal counsel should be consulted prior to any formal determinations.

The term "**special district**" can have more limited or inclusive meanings. For the purposes of this Paper and analysis, the term is intended to include all of the types of districts addressed herein.

In this document certain terms are highlighted in **bold** text only for the purpose of emphasis.

This Paper also provides a few recommendations that fall above or below the level of the Policy. These include higher level comments pertaining to the current City Strategic Plan along with more technical recommendations concerning the importance of ongoing data collection and monitoring.

Broad Issue Areas

The topics and issues discussed in this Paper are multi-faceted and often overlap. However, many can be grouped into the following major categories for purposes of organization and potential approaches or actions:

- **Revenue Implications**
  - City property tax decline relative to special districts
  - Specific ownership tax
  - Sales tax impacts
- **Political Implications**
  - Potential for special district residents to be less inclined to support general purpose government tax initiatives
  - Representational issues
    - e.g. master district arrangements
  - "Level playing field" issues
  - Tax and service equity issues
  - Scale and proliferation issues
  - Disclosure to taxpayers, district residents and businesses
- **Other Strategic Issues**
  - Alignment of District Policy with Strategic Plan
    - Potentially addressing districts in the Strategic Plan
    - Adding an overall strategic component to the Policy
    - Specifically aligning the Policy with Economic Development goals and objectives
  - Relationship to land use approvals
    - Timing of district approvals
    - Enhanced quality of developments (e.g. enhanced ability to finance public improvements and services)
- **Improvements to Policy and Model Service Plans**
  - Addressing current areas of inconsistency
  - Creating a more comprehensive Policy document
    - Addressing topics the Policy is currently silent on (e.g., covenant enforcement/owner's associations, master districts, and developer funding agreements)

- Updating/enhancing the district application process

- **Data Collection and Tracking**
  - Maintaining ready access to documents and GIS data as districts proliferate and geography becomes more complex
  - Providing summary data and tracking/monitoring of trends
  - Potential annual report to Council

A number of these issues may be of interest to the City's Sustainable Funding Committee.

Summary Recommendations

A numerical list of summary recommendations is provided in this section. Attachment 2 should be consulted for additional detail. The remainder of this report is provided for the purposes of background and context.

Recommendations:

1) Suggest that City Council consider additional broad policy direction concerning special financing districts in its next update of the City Strategic Plan.

2) Substantially reformat the Special District Policy to make it more cohesive, complete and strategic, and to specifically incorporate changes contemplated in these recommendations.

3) Make limited revisions to the Model Service Plans to allow for incorporation of additional key information and full integration with the existing and potentially revised Policy. If master/control forms of metropolitan districts continue to be allowed, either create a third model plan for this structure or adapt the existing Multiple District Model Service Plan to specifically address these arrangements.

4) Modify the special district application process to require some additional supporting information and justifications to be provided separately from the service plan itself.

5) Upgrade and maintain the existing City database on special districts to allow for ready access to key information on individual districts and to allow for comprehensive tracking of overall trends, with an emphasis on emerging fiscal impacts.

6) Modify the current requirement for the static Notice of Special District Disclosure, which is required with each Service Plan and the current requirement for an annual report, into a requirement for a combined annual report and disclosure form to be provided each year and published on the City and County web sites.

7) Require a brief Citywide annual summary report on special district activity to be provided to Council each year. This report would update cumulative statistics,

briefly report on activity during the prior year, identify trends particularly related to fiscal impacts, and make interim recommendations as applicable.

8) Affirmatively address the master/control district issue, as further discussed in this report, and in the attached Policy matrix, and make the appropriate conforming changes to the Policy and Model Service Plans.

9) Establish limits for developer financing agreements in the Policy and incorporate these in the model plans. Provide for complete disclosure of these agreements in a form readily accessible to the potentially interested public.

10) Affirmatively address the covenant enforcement option for metropolitan districts in the Policy and model plans.

11) Consider adding policies that address the increasing Specific Ownership Tax "leakage" to special districts, preferably in coordination with other general purpose local governments and school districts in the region. Incorporate changes to City documents as applicable.

12) Consider adding policies addressing the potential for sales tax leakage to districts within the City.

13) Consider adding a policy addressing the potential agreements between districts and Public Improvement Corporations (PICs) regarding the sharing of Public Improvement Fee (PIF) revenues.

14) Review and formalize the current informal policy and practice concerning metropolitan district involvement in the construction, ownership and maintenance of neighborhood parks.

15) Review Year 2006 resolution setting special district application fees and modify as needed to reflect current cost of service for existing fees, to set fees for categories of applications that currently have none, and to address circumstances when fees may be reduced or waived.

1. Introduction

There at least six different types of "special districts" that currently have territory overlapping the boundaries of the City. These include:

1) Title 32 special districts (Metropolitan Districts)
2) Business Improvement Districts (BIDs)
3) Special Improvement Maintenance Districts (SIMDs)
4) General Improvement Districts (GIDs)
5) Local Improvement Districts (LIDs)
6) Flood Control Conservancy Districts

Additionally, the Downtown Development Authority (DDA) created in 2006, the Pikes Peak Rural Transportation Authority (PPRTA) created in 2004 and the Colorado Springs Urban Renewal Authority have some taxing authority, which makes them somewhat similar to more traditional special districts. These and other authorities with territory in the City are not further addressed in the report because of their unique characteristics. Special Improvement Maintenance Districts and Local Improvement Districts are discussed in only a limited manner, both because of their more narrow purposes and authority and because they are not currently addressed in the Policy. None of the six categories of districts that are considered in this report have the authority to impose a sales tax, although sales tax authority is available with either a DDA or an RTA. Sales tax authority is available to an Urban Renewal Area (URA) indirectly through the use of tax increment financing (TIF). The City has also established a number of URAs for tax increment financing purposes.

Colorado Revised Statutes govern the creation and use of special districts in Colorado. The relevant general citations are: 32-1-101 et seq. for Title 32 special districts, CRS 31-25-1201 et seq. for Business Improvement Districts (BIDs), and CRS 31-25-601 et seq. for General Improvement Districts (GIDs). Local Improvement Districts and SIMDs are authorized by Chapter 3, Article 5 of the 2001 City Code respectively under the City's Home Rule authority.

Over the past decade, various districts have proliferated throughout the newer and developing areas of the City. Map 1 depicts the comparative extent of City districts in 1997. Map 2 depicts the current metropolitan district geography within the City. Map 3 depicts all of the other currently active districts in the City. Table 1 summarizes the overall change in the number of districts within the City over this period.

Table 1
Comparison of City Financing Districts 1997-2008

Type of District	# in 1997	# in 2008
Special Improvement Maintenance Districts (SIMDs)	8	7
General Improvement Districts (GIDs)	3	4
Business Improvement Districts (BIDs)	0	10
Total Metropolitan Districts*	2	53
Primary Metropolitan Districts*	[2]	[28]
Downtown Development Authority (DDA)	0	1
Local Improvement Districts (LIDs)	4	9
Flood Conservancy District [Banning-Lewis Ranch]	1	1
Fire Protection District [Broadmoor]	1	1
Metropolitan Park and Water District [Cheyenne Creek]	1	1
Total Districts	20	87

*Total metropolitan district number includes related multiple districts such as Banning-Lewis Ranch Metropolitan Districts #1-7. The primary metropolitan district number counts a group of separate but interrelated districts as a single district and is shown in brackets. They are not counted in the total.

The five existing Urban Renewal Areas are not included in Table 1, but are depicted on Map 3.

Altogether, the total number of "special districts" in the City of Colorado Springs has increased from 20 in 1997 to 87, only 11 years later.

Attachment 4 includes a listing of all districts in the City that are relevant to this White Paper. Attachment 5 provides the Year 2007 and 2008 mill levies for each of these districts, as applicable. Attachment 8 is a summary of Colorado districts and their authority and powers, as provided by Sherman & Howard L.L.C.

The Banning-Lewis Ranch Flood Control Conservancy District was established around the time of the original Banning-Lewis Ranch annexation in the late 1980s. This district covers the entirety of the Banning-Lewis Ranch property and is currently in place but inactive. Flood control conservancy districts, as organized under Title 37n of the Colorado Revised Statutes, have certain assessment authority but do not have property or sales tax authority. The boundaries of this district are not shown on Map 3, and this type of district is not otherwise discussed in this Paper.

The Broadmoor Fire Protection District is the only fire district has a long-term physical and operational presence within City limits. This district was set up with a mill levy to

allow the residents of the Broadmoor area to maintain their traditional fire station and level of service following the 1980 final City annexation of what had been an unincorporated community. The Cheyenne Creek Metropolitan Park and Water District is technically a metropolitan district, and was set up with a mill levy for the purpose of maintaining stream water flows in Cheyenne Creek. These Title 32 special districts are also not depicted on Map 3 and are not otherwise discussed in this Paper.

2. Title 32 Special Districts (Metropolitan Districts)

a. General Background

Title 32 Special Districts derive their name from the relevant State statute under which they are organized. Of all the allowable types of special districts in the State, they arguably have the most potential independence and largest potential range of powers. Title 32 districts operate as "special purpose governments." Their general functions are either to provide public financing for various public infrastructure and/or to operate and maintain public facilities over time. These quasi-municipal governments have independently elected boards of directors who are responsible to the property owners and/or ratepayers within the district.

b. District Service Plans

Title 32 districts may be further limited with conditions applied by the "approving authority" in conjunction with their required approval of the **Service Plan** for the district. The Service Plan is essentially the charter that limits and governs the operation of the special district. It must be approved prior to the election and District Court processes that must be completed before any Title 32 district is organized. At the Service Plan stage, the City has approval and the option of veto power over the district creation process for any district that is to be located wholly within City limits. In the case of districts with split jurisdiction in incorporated and unincorporated territory, the approving authority is the County, and the County may approve the Service Plan over the objections of the municipality, after consultation. There are a total of nine statutory findings that must be considered in the City's decision to either approve, deny or conditionally approve a Service Plan. These are found in Attachment 3. In practice, these findings are sufficiently general so as to allow the City very broad discretion.

With certain exceptions, once the Service Plan is approved, the district essentially moves to an equal and independent governmental standing with the City, and with other local governments. After Service Plan approval, the City no longer has an opportunity to limit or influence the actions of the district, absent a subsequent intergovernmental agreement. Once a Title 32 Special District is created, it can only be dissolved by the State, and then only if any outstanding financial obligations have been addressed.

Colorado Springs has applied a **model service plan** approach as a means of standardizing the content to the service plans, streamlining the review and approval process and assuring that all of the legal limiting language is included in each plan. These model plans were incorporated as part of the 2006 Policy update. The City has adopted separate model plans for single and multiple districts. A copy of the multiple district model service plan is provided as Attachment 6. It differs from the single district plan only in areas where additional information is needed to address these multiple district arrangements.

The model plans are intended to include a complete and comprehensive description of all Policy components.

c. Types of Districts

Title 32 authorizes a variety of different types of special districts based on their individual purposes. These include but are not limited to water districts, sanitation districts, water and sanitation districts, fire protection districts, ambulance districts and park and recreation districts. With the exception of water and sanitation districts, any district that is intended to serve (or finance the infrastructure for) two or more purposes is organized as a **metropolitan district**. As a practical matter, almost all Title 32 Special Districts in the City are organized as metropolitan districts because their intended purpose is to provide public financing for multiple categories of facilities, such as roads, drainage and parks. Therefore, organization as a metropolitan district provides the most flexibility for developers and the City at both the front and the back end. A summary of the comparative advantages and disadvantages of metropolitan districts is included as Attachment 7.

d. Powers

Unless otherwise limited by the Service Plan, Title 32 Special Districts have a broad range of powers, including but not limited to:

- Providing a range of services in accordance with statute
- Certifying a property tax mill levy, and imposing tolls rates and charges (but not a direct sales tax)
- Using the proceeds of a Public Improvements Fee (PIF), which is imposed indirectly through a Public Improvements Corporation (PIC.
- Issuing tax-exempt bonded indebtedness subject to statutory limitations
- Condemning property for legitimate public purposes related to the district
- Entering into contracts including Intergovernmental Agreements (IGAs)
- To sue or be sued
- Acquiring and/or constructing facilities, and operating them
- Enforcing Covenants (see additional discussion below)

Title 32 Districts cannot directly provide most law enforcement services.

e) Proliferation of Districts and Evolution from Services to Facilities Financing

As of 2008, over 1,700 Title 32 special districts were operating in the State of Colorado, with more being organized regularly. The majority of these are metropolitan districts which have been organized within the last decade. In just the one year period between 2006 and 2007, the total number of metropolitan

districts increased by 17.8 percent.[1] Within El Paso County alone, the Colorado Department of Local Affairs lists 246 separate units of local government, most of which are special districts.

There has been both a proliferation and an evolution of these districts in response to several broad trends. Traditionally, Title 32 Special Districts were used primarily in unincorporated areas to provide municipal services such as water, sewer and structural fire protection because counties are typically not authorized to provide these services. Fire districts were most often organized to transition volunteer fire departments to taxing districts in areas with at least some existing population. Water and/or sanitation districts were created either to transition existing private systems to public systems or to allow for the operation of new central systems in raw ground unincorporated developments. In either case, a low emphasis was typically placed on using the district initially as a major financing mechanism. Over time the use of these districts has evolved more toward long term facilities financing, both in unincorporated areas and in municipalities. This trend is likely a response to a combination of factors including, but not necessarily limited to:

- The increase of requirements placed upon development to pay for and construct its fair share of on and off-site infrastructure.
- The impact of the Taxpayer Bill of Rights (TABOR), which effectively limits the ability of general purpose local governments to bond for public improvements and/or raise additional revenues through new or increased taxes.
- The increasing trend for cities, towns and counties to implement multi-party approaches and public/private solutions to regional infrastructure needs.
- The incremental impact of the "level playing field" argument. Essentially, once a jurisdiction allows one developer to use a special district to obtain tax exempt financing for public infrastructure costs and to shift these costs to the future property owners, it is difficult to tell other developers they should not have the same competitive advantage in the marketplace.

Although municipalities often require a developer to furnish large amounts of public infrastructure, they typically operate and maintain the facilities themselves. There may be municipal situations where the district performs operations and maintenance functions per intergovernmental agreement with the city or town. For example, this occurs with the Triview Metropolitan District which is located in the Town of Monument. More often in cities and towns, the ongoing operational role of the district is limited to "supplemental activities" which go above and beyond typical city-wide service level standards. In Colorado Springs this supplemental operational role often includes such activities as care for

[1] Total number of districts from Colorado Department of Local Affairs (DOLA) 2008; Year 2006-2007 statistic from Colorado Special District Association.

landscape medians that are no longer accepted for general maintenance by the City.

When a district is created by developers with the primary function of facility financing rather than providing ongoing services, there is often very little incentive for another adjoining developer or property to include their property in that district. On one hand, there are few if any services to obtain the benefit of. Conversely, there is limited incentive for the other developer to share in the financial responsibility for the other developer's project. With financing districts, developers are typically inclined to "create and control their own deal." While there is often a lot of incentive to include additional property into a district that has some kind service to offer, there is very little incentive to include in a district that primarily finances infrastructure that will be maintained by another entity such as the City.

All this leads to a trend of proliferation of districts which becomes largely self-perpetuating. It may be considered advantageous for all but the smallest projects to avail themselves to the advantages of special district financing. With the very smallest projects, the financial pro forma no longer works due to a need to balance the added costs of creating and managing the district, and then issuing public financing, compared with the benefits accrued from tax-exempt financing rates and the shift of some public costs to eventual property owners.

A positive aspect of the trend toward smaller districts is that this can result in the most localized and customized control of financial responsibility and representation. The potential downsides are the creation of more layers of government along with their overhead costs, and the potential for increased financial inefficiency and risk due to the lack of economies of scale. A number of relatively fixed costs are associated with simply maintaining districts once they are formed. The smaller the base of property owners, the higher the per capita share of this overhead likely to be.

Because property taxes paid to districts are often deductible from State and federal income taxes, and because interest paid on district-issued bonds is typically double tax exempt, the shift of what were traditionally private developer functions to district functions has a major impact on State and federal tax revenues. This impact will grow over time as districts expand and grow their tax base. As described in more detail below, the fiscal revenue impacts of special district growth and proliferation on local government are not as substantial, but will become a more important issue going forward.

f) Developer Districts

In order to create and operate a new Title 32 Special District in Colorado, election questions must be approved in which 50 percent or more of the qualified electors agree to be included in the district, and to authorize (but not necessarily issue) any debt or impose any new or additional taxes. Generally, qualified electors consist

of residents of the district, or property owners, or the spouses of property owners. Where a district is being proposed by a developer for the primary purpose of financing required development infrastructure, an unrelated property owner within the proposed boundaries has limited incentive to favorably approve the election question. This situation leads to a typical scenario whereby raw ground districts are created by developers and their associates prior to any residents or other property owners moving in. Maximum amounts of debt, and future options to issue debt and/or increase mill levies are authorized and "deTABORed" at this initial election, thereby largely avoiding the need to conduct subsequent TABOR elections. Bonding may be delayed, but bonds are typically issued while the initial five-person board of directors is still in control of the board.

This desire to create districts and make key financial commitments while the board is still controlled by the original developers sometimes results in pressure to speed up the creation process. Organization and debt authorization elections can occur only three times every two years (May and November elections in odd numbered years and November elections in even numbered years).

Because of these timing-related concerns, there have been and will be cases where the developer may desire to have the district or districts created prior to putting the underlying land use approvals in place. This timing sequence, in turn, creates two potential issues. First, if the basic development entitlements do not yet exist for a project, it may be difficult to make the statutorily required findings that there is a present need for the district(s). If the district is allowed to be created in advance of development approvals and then allowed to make financing or other commitments prior to land use approvals, this may create undue pressure on City Council or its delegates to later approve the plans.

g. Multiple, Sequential or Control Districts

Over the past several years, real estate developers have increasingly begun to create multiple numbers and sometimes layers of interrelated districts for the same project. There are three main reasons to do this, although they are sometimes interrelated.

First, these multiple district arrangements allow the developer to control the key financing decisions throughout the active phases of land development for a project that is expected to develop over phases and take time to build out. Without this control, a developer could be at risk of losing the opportunity to use district financing for the latter, and often more financially rewarding, phases of the project. For example, a developer could invest a lot of money and the district's resources in a four-phase 1,000 acre project. However, when the first 250-acre phase is built out, and the residential or commercial property owners take over the district's board of directors, they might be inclined to look askance at the costs associated with bonding for future phases. Proponents of multi-district arrangements also make the related argument that, without them, a

developer-controlled board may be more inclined to prematurely issue bonds and build infrastructure before it is needed.

The second main reason for multiple districts has to do with a response to the 1982 Gallagher Amendment ("Gallagher") to the State Constitution. Gallagher equalizes the State-wide ratio of residential and non-residential property taxes such that non-residential properties are now assessed at more than three times the rate of residential properties based on market value. Multiple district arrangements allow a developer to address this fundamental lack of property tax equity by creating separate districts for commercial and residential areas, and then imposing different mill levies.

The third reason for multiple districts is to allow the type and nature of financing and possibly services to be more uniquely tailored to different areas within a development. For example, a multifamily area might have need for substantial funding and maintenance of common areas and community facilities, whereas a single-family area might not have these needs. At the same time, both areas have or had a common need for roadway infrastructure. A multi-district arrangement allows for tailoring individual districts to these more specific needs, while at the same time allowing for coordination of common financing needs and management through intergovernmental agreements (IGAs). A very recent trend in district geography is for the developer to seek approval of a "portfolio" of multiple districts with flexible geography. These can then be deployed and modified as needed in response to how a large master planned project evolves and is refined over time.

Multiple district structures can be set up so that each district will ultimately transition to resident property owner control, or structured so that the developer maintains control throughout the entire project. In the former case, the multiple districts are typically sequenced such that developer control is maintained long enough that the key financial decisions and commitments are made for that phase. In the latter case, a small master or control district is set up under the ownership of the developer and related parties, with one or more additional districts set up for the balance of the property. Through an IGA among the districts, essential control of key financing decisions is in effect ceded from the other districts to the master or control district. As described below, the City currently allows both multiple district arrangements and master district arrangements.

h. Special District Trends and Patterns in Colorado Springs

Because most of the metropolitan districts within the City have been created within the past decade (refer to Attachment 4, Maps 1-3 and Table 1 above), they are primarily located in either newly developed or not-yet-developed areas.

What becomes clear from Map 2 is that the majority of the newly developable areas within City limits already have special districts created. Going forward, the overall trend for new district creation will likely follow more of an infill pattern.

One example of this infill pattern is the Canyon Creek Metropolitan Districts No. 1 - 3, which are currently in the process of being created to facilitate redevelopment of the South Nevada area. Other examples include the Downtown and City Infrastructure Metropolitan Districts, which were recently created in conjunction with the U.S. Olympic Committee headquarters project.

i. Conversion of Property Owners Association (POA) Functions to District Functions

A recent change to State statutes allows Title 32 special districts to perform the covenant enforcement function traditionally undertaken by homeowners associations (HOAs), business owners associations or related property owners associations (POAs), all collectively described as POAs for the purposes of this Paper. Before this, districts could finance and maintain most of the common area improvements that might be taken care of by a POA. However, because the districts could not legally enforce covenants, there was ordinarily no way to dispense entirely with the POA. The current City Special District Policy is silent on this topic.

A stated advantage of using a district in lieu of a POA is that the POA fees (which can be very significant) can be at least in part converted to a mill levy which, unlike the POA fee, is tax deductible. With a conversion to property tax, the process of revenue collection becomes automated and simplified compared with the separate billing for POA fees. Because the tax advantage is primarily due to an income tax deduction, the primary governmental fiscal impact will be felt by state and federal government. Another potential advantage of a district versus a POA is that the district is considered to have more or better defined powers with respect implementing covenant enforcement and in protecting board members from liability claims.

A number of scenarios should be considered with respect to POA-related functions. First, the owners within an existing POA could petition to form a new special district and conduct an election. This might occur if the POA were faced with significant costs and wanted the district as a financial choice. Another scenario would be where a developer might chose to forego the creation of a POA altogether in favor of a one or more districts. A third scenario would involve a new development whereby a new POA is created, but most of its financing and management would be accomplished by agreement with the district.

In addition to the tax consequences, there are a couple of potential issues with districts taking over POA maintenance and/or enforcement roles. First, under the City's current operational mill levy cap of no more than 10.0 mills, a district could probably fund the enforcement of restrictive covenants but not be able to afford to replace a large monthly fee for POA dues. Imagine a residential development that has a $100 per month ($1,200 per year) POA fee that is used for such purposes as administration, insurance, operating a swimming pool, grounds maintenance, outdoor lighting, maintenance of drive aisles and parking lots, trash service and creating a small capital replacement reserve. Assuming the average

value of a residential dwelling unit in the project is $250,000, the annual revenues from 10 mills with the current Gallagher assessed valuation rate of 7.96 percent of market value would be about $200 per year, or only about one sixth of the amount necessary to replace the POA. Under this scenario, an operational property tax levy of about 60 mills would be needed to fully replace the POA with a district.

Additionally, POAs are often very property-specific as well as specific in terms of function and the allocation of costs. For example, within the same overall development, the needs of different residential components often get complicated in terms of equity. There might be a traditional single-family phase, a shared maintenance patio home phase and a multifamily phase in the same development.

- The single-family phase might need to budget for a share the cost of a recreation facility, some common open space, some arterial amenities and some limited enforcement.
- The commonly maintained patio home phase might share in all these costs but add in grounds maintenance for its project, along with a higher level of covenant enforcement.
- The multifamily phase might have a need to share in all these costs but also have a desire to provide and allocate the costs of community trash pick-up and exterior building maintenance.

Combining all of these phases into the same district with a full POA function is a recipe for potential inequity.

Similarly, if the intent and authority for Title 32 Special Districts is to provide for public functions, there is a concern with how "public" certain common area functions are. Furthermore, if the districts are structured under a master or control district arrangement, there will be complications with respect to representation, as the residents/owners would not have the opportunity to fully participate in the POA-related functions where this interplay typically occurs. Finally, as noted in the sales tax discussion below, POA purchases are not tax exempt, whereas direct district purchases typically are. This creates the potential for additional tax revenue loss as further discussed in Section j. below.

j. Potential Fiscal Impacts

The overall positive impact of the use of special districts in the City is that they presumably allow developers to afford to finance more public infrastructure associated with their projects. This provides the City with a higher level of public facilities at limited or no cost to the general taxpayer. In some cases, such as with neighborhood parks in newer developments, the districts allow not only a financing option, but also a structure within which to allow ongoing ownership and operations of facilities that would otherwise need to be maintained with general City revenues. With the allowance of districts as an option, the City is presumably in a better position to negotiate higher public facility requirements

through both the annexation and land use planning processes. To the extent it is presumed that standards would need to be scaled back without districts, all of the foregoing discussion points to a positive fiscal impact of districts. With this overall benefit as context, the following sub-sections address some of the potentially negative fiscal impacts which may be associated with districts.

1. Overlapping Debt and Tax Obligations

Of concern to general purpose local governments such as the City is the fact that Title 32 Special Districts often impose much higher property tax levies as compared with the City and County, and rates which are often at or near the levels of the overlying school districts. Additionally, because most Title 32 districts "de-TABORed" at the front end in a developer-controlled election, the general purpose local governments, school districts and the Pikes Peak Library District are at a comparative disadvantage under TABOR. This disadvantage may become exacerbated as non-deTABORed mill levies ratchet down under TABOR, and because Gallagher adjustments are not available to entities such as the City and would be of no real value if they were.

Under current City Policy a residential Title 32 district may impose up to 40 mills (no more than 30 for debt service and no more than 10 for operations) and a commercial district is limited to 60 total mills with no more than 50 mills devoted to debt service. By City policy, these maximum mill levies are intended to be cumulative, at least with respect to aggregate totals for all Title 32 districts. However, the maximum levies may be adjusted upward to account for any further disparity in the Gallagher assessment ratios. Additionally, the current policy does not explicitly prohibit the potential overlapping levies from other special purpose districts not organized under Title 32 (see Policy #6 in Attachment 1). Therefore, it is possible for a given property to be in a metropolitan district with the maximum mill levy and also be located in a BID, a GID and/or a SIMD, which have other levies.

There are also cases where Title 32 districts do overlap such that aggregate mill levies exceed the single district maximums. As one example, the Woodmen Heights Metropolitan Districts currently certify the maximum residential debt service and operational mill levies. These same properties are located in the Woodmen Road Metropolitan District, which has its own separate levy (now 10.8 mills) specific to the financing of Woodmen Road. As another example, a redeveloping commercial property could be proposed for a new metropolitan district with a maximum mill levy cap of 50.0 and at the same time be located in the Downtown Development Authority and in the Downtown Business Improvement District, each with an additional 5.0 mills.

By comparison, the current Colorado Springs property tax mill levy is only 4.944. Table 2 below provides a comparison between a sample property in central Colorado Springs and the same property if it were to have a Title 32 metropolitan

district approved and the maximum residential mill levies certified within that district.

Table 2
Mill Levy Comparison for Sample City of Colorado Springs Property With and Without a Residential Metropolitan District

Taxing Entity	Central Colorado Springs	Newly Developing Area
El Paso County	7.253	7.253
Colorado Springs	4.944	4.944
Road and Bridge	0.330	0.330
School District 11	42.331	42.331
Library District	3.540	3.540
SE Water Conservancy	0.943	0.943
Metro. Dist. Debt Service	0	30.00
Metro. Dist. Operational	0	10.00
Total Mill Levy	59.341	99.341

Source: Comprehensive Planning Division using County Assessor's Records for a sample property

Some City of Colorado Springs metropolitan districts currently levy property taxes at these maximum allowed amounts. In the case of a wholly commercial property, the debt service levy could be as high as 50 mills, meaning the total combined levy of the metropolitan district case would be 119.341, or essentially twice that of the non-district base case. Additionally, it is possible for some metropolitan district mill levies to "ratchet up" slightly under allowable "Gallagher Adjustments." There are also a limited number of cases where mill levy caps have been approved in excess of the Policy. As noted above, there are scenarios where more than one metropolitan district or other special purpose district can certify its own levy for the same property.

The Banning Lewis Ranch development is also unique in terms of potential overlapping mill levies because, in March of 2008, City Council approved an addition of up to 10 extra mills for operations and maintenance for Banning Lewis Ranch Districts No. 2-5 and 7. The maximum operational cap for these districts is now 20 versus the10 mills ordinarily allowed by the Policy. In 2009, Council is expected to consider an application for a further increase in the overall combined mill levy cap for these districts to address wastewater systems requirements for the Banning Lewis Ranch development.

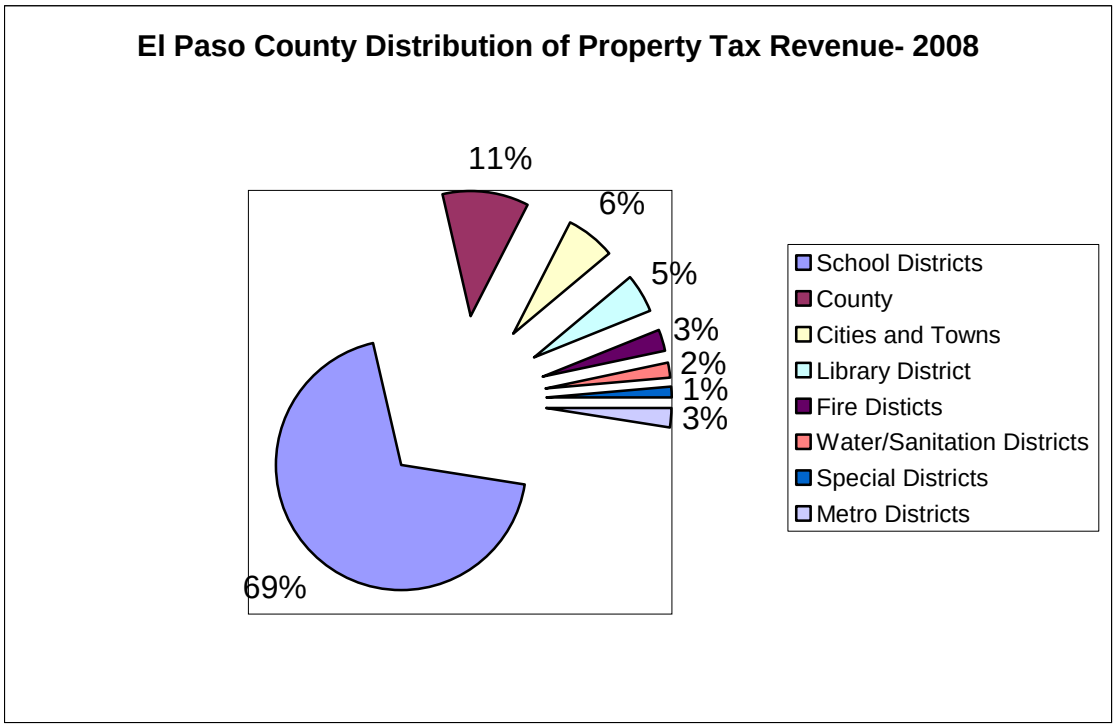
Because the El Paso County Assessor's reappraisal process occurs in arrears, the likely property valuation impact of the ongoing financial turmoil (i.e., the "housing bubble") will not be experienced until the Year 2011 property reappraisal cycle. At that time it is likely that deTABORed metropolitan districts with levies below their mill levy caps will choose, and in some cases may be compelled by their creditors, to increase mill levies to correspondingly account for this cyclical decrease in assessed valuation (AV). Non-deTABORed taxing entities such as the City will only be able to compensate for potentially reduced 2011 AV by referring a TABOR ballot question to their electorate if they so chose. The Year 2011 and any other subsequent downward adjustments in area-wide AV could very well accelerate the rate at which general purpose government tax revenues decline in comparison to all tax revenues.

The broad concern with overlapping mill levies is that the residents of these districts may be more averse to approving future general purpose tax increases or extensions of any kind due to their significantly higher comparative tax burden. The anecdotal and quite possibly real concern is that property owners do not differentiate to whom they pay property taxes, and are most concerned with the total bill. These residents may also be receiving higher levels of service and benefiting from more amenities (provided by their districts) and thus be less inclined to see a need to raise taxes to support area-wide needs.

There is evidence that this concern has not yet been borne out in local election results. A precinct-level analysis of the November 4, 2008 results for County Question 1A (1% Public Safety Sales Tax) indicates that those precincts with generally higher combined property taxes did not vote against this Countywide tax question in disproportionately higher numbers. Moreover, the opposite pattern is evident in some cases. Apparently, these higher levy metropolitan district areas are characterized by younger growing families who may have relatively higher incomes and who are more inclined to tax themselves as an investment in their communities.

As of the 2008 tax year, the combined school districts still account for almost 69 percent of all property tax revenues anticipated to be collected in the County. The County and all cities and towns have levied about 17.5 percent, and the Pikes Peak Library District levied approximately 5 percent of the total collected. This leaves under 9 percent levied by all other districts of various types, including fire districts. Within this group, all incorporated and unincorporated metropolitan districts account for only about 2.5 percent of the total County-wide property tax levy. Other "special districts" (e.g., GIDs, SIMDs, BIDs and the DDA) accounted for about 1.4 percent of the total County property tax revenue. However, these proportions are growing significantly each year. These relationships are described in Figure 1.

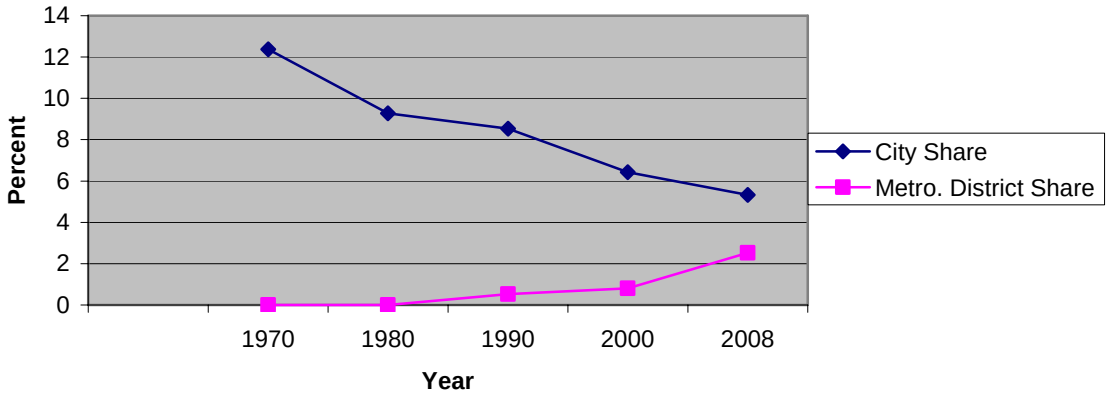
Figure 1
Distribution of El Paso County Property Tax Revenues- 2008



Source: El Paso County Assessor's Office Mill Levy Certification 12/18/08

While the total "special district" revenue shares are not that large at this time, these combined special purpose districts already account for more than the total City property taxes collected. It is quite likely that just the metropolitan districts will combine to collect more than the City share of property tax within the five years. Figure 2 depicts this trend. As the City continues to "grow into" its many relatively new special districts, its proportionate share of all property tax revenue will continue to decline.

Figure 2
City and County-wide Metro. District Percent Shares of Total County Property Tax Revenue Over Time



Source: El Paso County Assessor and Comprehensive Planning Division

Table 3 provides a comparison differences in mill levies for the key school districts which overlap the City limits.

Table 3
Comparison of Mill Levies for School Districts within City Limits

(2008 taxes payable in 2009)

School District	2008 Mill Levy
Academy District 20	60.216
Cheyenne Mountain District 12	44.794
Colorado Springs District 11	42.331
Ellicott District 22	46.009
Falcon District 49	45.647
Fountain Fort Carson District 8	24.301
Harrison District 2	41.409
Manitou Springs District 14	48.098
Widefield District 3	47.683

Source: County Assessor's Records

Notes:

1) The Ellicott and Widefield School Districts currently have few City residents but will in the future as the Banning Lewis Ranch development builds out.

2) The FFC District 8 mill levy is lower than 27 because they have not deTABORed

As noted above, the school districts account for the majority of all property taxes collected in the region. Although the school districts are likely to lose some share of overall property tax revenues to special districts in the future, it is likely that they will continue to levy the predominant share of property taxes going forward. This is due to the combination of their ubiquitous extent, their high current levies and the fact that most of these districts have successfully approved "deTABORing" measures. Under the 1994 Colorado School Finance Act, a minimum of at least 27 mills of property tax (in most cases) must be retained by district to augment State revenue sources primarily for per-pupil operational funding. Increments of a school district's mill levy above this amount are typically associated with voter-approved bond issues for capital facilities financing voter-approved overrides for other purposes. In the absence of a unique source (e.g. federal stimulus), dedicated property tax revenues are the only significant source of revenue available to school districts with a desire and need to construct new or upgraded capital facilities. The effect is that those school districts such as Academy District 20 have a significantly higher mill levy due to a combination of a high need for capital facilities bonding and the willingness of its electors to approve TABOR overrides for other purposes. These significant variations in school district mill levies are then combined with the differential levies of special districts to create the variation in mill levies throughout the City (School district boundaries are depicted on Maps 2 and 3 for reference).

Metropolitan districts BIDs and GIDs authorize large amounts of potential debt as part of their initial elections. In the case of metropolitan districts, these maximum amounts are stipulated as upper limits in the service plans as approved by Council. Although a figure for total aggregate authorized metropolitan district debt has not been precisely calculated, the total number currently exceeds $1.1 billion. Actual issued debt for these districts is much lower. This number is also not available at this time. It is arguable that maximum authorized debt amounts are largely theoretical and therefore would have a limited impact on the credit ratings of general purpose local government. Staff has been told that rating agencies typically do not look at authorized debt. Actual outstanding debt is reviewed. However, in accordance with current City Policy (Policy 9), bond issues must be structured to avoid any potential for default so long as the maximum mill levies are being imposed. In the event revenues are insufficient to fully service the bonds, they essentially revert to cash flow bonds, with the bondholders entitled to whatever revenues are available during the term of the bond. Once the term of the bond elapses, there are no further obligations.

2. Unrated Debt

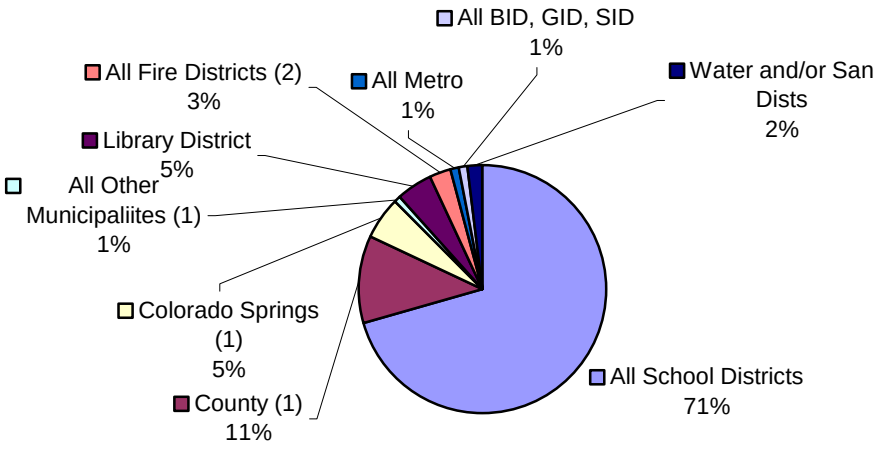
Most debt issued at least by newer metropolitan districts is unrated and non-investment grade debt, because it is largely secured by property that has a low

starting assessed valuation (AV) with the expectation that this AV will increase substantially as the property develops. Often, bonds are initially issued with capitalized interest for the first few years to address the built in lag between when development begins to occur and when tax revenues actually begin to accrue to the district. The organizers of the districts may also provide credit enhancements in conjunction with initial bond issues. State statutes also limit the amount of bonds issued to no more than 50 percent of the AV of the district unless other provisions are met, such as sale to sophisticated purchasers only. These State requirements are amplified in the current City Policy. Because of statutorily and City-imposed debt service mill levy caps, much of the more extreme downside risk associated with these unrated bonds is shifted from the property owner to the bondholder. There is no longer a potential for mill levies to be forced into an upward "death spiral" as they were in some cases in the late 1980's when no mill levy caps were in place. What is likely to occur in conjunction with the current financial crisis is that newer districts with outstanding debt will be required under their bond documents to raise their levies up to the maximum caps allowed under their service plans and/or by statute, but then no further.

3. Specific Ownership Tax

Specific Ownership Tax (SOT) is collected by the Clerk and Recorder on all but non-exempt motor vehicles, using a formula based on their age and value. Unlike property tax which is affirmatively levied as a distinct mill levy based on the amount of valuation within the physical geographic limits of the taxing jurisdiction, SOT revenues are allocated based on the proportion of total property tax revenues certified for the given political subdivision. Figure 3 summarizes the most recent full year allocations, and more detail is included as Attachment 6. In 2008 the City's share of total pool was about 5.4 percent, or about $ 2.7 million out of the total of about $50 million in SOT collected. Currently, Specific Ownership Tax equates to about 11.24 percent of the total amount of property tax collected. As more metropolitan and other districts are formed, and as they certify increasing amounts of property tax collections, the proportional SOT share going to the City will decrease. Although the present impact is limited, it will increase as these metropolitan districts mature and become more built out both inside and outside of the City. Because State law clearly entitles Title 32 Special Districts to their proportional share of SOT as political subdivisions, it is not legally possible to deny this revenue stream to them after the fact. Furthermore, these districts have likely factored these revenues into both the original financing assumptions in their service plans and in any subsequent financial obligations, including bond issues.

Figure 3
Percent Shares of Specific Ownership Tax- 2008



Source: El Paso County Treasurer's Office

(1) City and County shares do not reflect Road and Bridge share backs from that tax year
(2) Not including metropolitan district, which may have fire protection function

It is possible for the City to institute new Specific Ownership Tax policy for newly approved service plans going forward. The concern will be with the "level playing field" issue inasmuch as existing districts with access to SOT would be at a competitive financing advantage compared with the new districts.

4. Sales Tax on Construction Materials

As "political subdivisions," metropolitan districts are entitled by State statute to a sales tax exemption just like the City or the County, for example. In practice, metropolitan districts may not purchase that much in the form of potentially taxable goods and services in conjunction with their normal operations. This is particularly the case when the primary function of the district is the financing of public infrastructure. Where a major sales tax impact might occur is in the direct purchase of potentially taxable construction materials by the districts. For example, if a $5 million district project has $2 million in materials costs (including asphalt and concrete), and the district directly writes the check to the materials vendors, the forgone sales tax impact to the City would be $48,000 with another $20,000 foregone by the Pikes Peak Rural Transportation Authority. Under current City sales tax policy, a sales tax exemption for a political subdivision can only occur if the tax exempt entity directly purchases the materials that would otherwise be taxable. If the district hires a contractor to complete a project, the contractor must pay the applicable sales taxes even though the work is being done for a tax-exempt entity.

In Colorado some cities and counties have policy and/or service plan limitations, which have the intent of holding the jurisdictions harmless from the impact of any sales tax leakage from new districts. By agreement the district might arrange for a payment in lieu of taxes (PILT) approach if it is determined the sales tax exemption cannot be directly waived. If and when there becomes a significant trend toward conversion from traditional POAs to districts, the issue may become more significant. In practice, the implementation of these hold harmless policies may create accounting and auditing complications for both the general purpose local governments and the districts.

5. Public Improvements Fees (PIFs)

A Public Improvements Fee (PIF) is essentially a private covenant placed on commercial properties that allows the collection of a fee on sales transactions, the proceeds of which are used to fund the financing or operation of shared improvements. Although it is not a sales tax, a PIF is ordinarily collected in much the same way. A customer at a store in a shopping center with a 1 percent PIF in the City would currently pay 7.4 percent total sales tax on a purchase plus the 1 percent PIF, for a total added charge of 8.4 percent.

A PIF is collected through an entity called a Public Improvements Corporation (PIC), which establishes the PIF and then collects and distributes its revenues. Title 32 Special Districts and BIDs cannot impose a PIF but can enter into an agreement with a PIC with respect to use of the revenues. In new developments, it is likely the metropolitan district(s) and the PIC will be organized by the same applicants, in coordination. The same thing occurs with BIDs except in this case the City will have more of direct political and functional relationship if a PIF is to be used as one of the revenue sources for repayment of the debt issued by the BID.

6. Developer Funding Agreements

As described above, there are practical and statutory impediments that effectively keep most developer-created metropolitan districts from issuing any bonds within the first few years of the life of the district. At the outset, there is seldom much assessed valuation on which to collect property taxes. Then, when the vertical development begins, there is also a lag in the flow of property taxes (because property taxes are collected in arrears, among other reasons). Additionally, the typical real estate project starts development with mostly the residential "rooftops," which are not very lucrative from a property tax standpoint and then later progresses to the commercial phases of the development, which have the higher property tax assessments under Gallagher.

Conversely, the developer's public infrastructure and other district-eligible costs are often front loaded. They begin with the costs of organizing the district itself

(which is eligible for reimbursement from district proceeds) and often include the costs of major roadway, drainage and utility improvements that need to be expended before the first house is constructed.

Capitalized interest is often used to address part of this timing issue. With capitalized interest, some of the initial bond proceeds are used to pay the interest on the bonds for the first few years until the lag in the addressed valuation catches up. However, any capitalization of interest effectively diminishes the useable bond proceeds. Even when the bonds are sold to sophisticated purchasers (thereby avoiding the normal requirement to not issue bonds until there is assessed valuation equivalent to at least 200 percent of the total outstanding principal bond amount within the project), it is often in no one's interest to bond prematurely.

Often, developers in metropolitan districts address this timing issue by entering into a developer funding agreement. Although these agreements take many forms, essentially what happens is the developer either advances the cost of the improvements to the district or builds the improvements and then arranges to sell them to the district through an agreement. When the district has sufficient bonding capacity, the district then issues bonds and reimburses the developer, typically with interest.

Over the short term, these arrangements have the advantage of effectively bridging the timing gap inherent in the development and district process. However, there are some potential concerns. One is that these future liabilities may be somewhat masked from full public view. What is seen in the more clearly reported public view is the district's outstanding bond obligations and not these pending contractual obligations. Further complications may arise if there is an unanticipated delay in absorption of the project. Then, what can happen is the obligations under the funding agreements can accrue to the point where future bonds will need to be issued to primarily pay interest on the balance of these contractual obligations rather than to settle the principal costs of the developer's contribution. These funding agreements must be disclosed as part of the required district audits. Furthermore, the City is provided a copy of these audits in conjunction with the annual reports, which are required as part of the service plan approval.

Related to all this is the typical situation where proceeds from a maximum of 30 or 50 mills (maximum City mill levy caps for residential and commercial districts, respectively) are not likely to be close to being sufficient to finance all of the potentially eligible public cost associated with a development project. The reasons for this are the impact of Gallagher on primarily residential projects, along with high combined public infrastructure costs associated with developing projects. As illustrated in the following example (Figure 4), the discrepancy in potential bonding capacity between a residential and commercial district is very pronounced.

Figure 4
Maximum Annual Debt Service Mill Levy Revenue
From $1 Million in Actual Market Value

Residential Example: $1,000,000 total market value x 0.0796 (current residential assessment rate) x 0.030 (maximum debt service mill levy cap for residential districts)

= $ 2,388

Commercial Example: $1,000,000 total market value x 0.290 (current non-residential assessment rate) x 0.050 (maximum debt service mill levy cap for commercial districts)

= $ 14,500

Therefore, the commercial project ends up with over six times the potential bonding capacity compared to the residential project with the same actual market value.

If it is projected in the most likely financial scenario that only 50 percent of the total public infrastructure costs can be bonded for by the district, the developer could obligate an additional 25 percent in the event that tax revenues were to exceed forecasts through the life of the district. As alluded to above, the property owners in the project will remain protected from ever paying more to debt service than the mill levy caps allow. However, these obligations may extend for a longer period, could appear as more of a "surprise" to taxpayers and may have a very low proportion of principal to interest.

As a hypothetical worst case, a contractual reimbursement obligation could conceivably be carried for 20 years at 8 percent interest and then converted to bonded indebtedness with a 30-year maturity. The effective repayment period becomes 50 years. The reason this is described as a worst-case scenario is because under State law, after 20 years these kinds of obligations may effectively become stale and no longer have any force and effect. These agreements stipulate that repayment is required only if the district has the capability of bonding for the obligation. In later years, this decision will be made by the board of directors then in place. In non-master districts, this board would have some discretionary authority to decide whether the district can and should bond for these prior obligations.

7. Neighborhood Parks

Beginning in approximately 2006 with the Flying Horse Ranch development, new metropolitan districts have routinely been set up to construct, own and maintain neighborhood parks within new master planned developments. The driver for this change was the backlog of undeveloped park sites and the recognition of both the City and the developers that there would be a substantial lag in park site development if this park construction requirement were to be retained as a City obligation. Moreover, recent annexation agreements and other development approvals have required the districts to own and maintain neighborhood parks while making them available to all City residents. Other examples include the Woodmen Heights Metropolitan Districts. Banning Lewis Ranch (which is subject to a 1988 Annexation Agreement) is unique because, in March of 2008, City Council approved an increase of ten mills in the operational mill levy cap for their districts. This additional mill levy cap is expected to be used to operate and maintain recreation centers, swimming pools and neighborhood parks.

The requirement to maintain public access to district-owned parks is now included in the Model Service Plans. However, this important topic is not otherwise addressed in the Policy. There are forward-looking concerns which include the potential of the districts not being willing or able to financially perform to City parks standards under these obligations. There also may be equity considerations wherein the residents of these districts may enjoy (but also pay for) a higher level of facilities, compared with other City residents. In some cases, district residents could argue that they are being asked to "pay twice" for park construction and maintenance functions; once through their special district and again through general City taxes.

k. Annual Reporting and Disclosure

As part of its Model Service Plan, the City currently requires the applicant to provide a *Notice of Special District Disclosure*. This form is recorded with the approved service plan. The notice contains contact information along with sample calculations of the tax impact of the district on typical houses and/or commercial properties if and when the maximum mill levy cap were ever to be reached. Because this form is not updated, it becomes less and less relevant over time. The contact information may change along with the financial assumptions. Although the form is recorded, it is not particularly accessible to existing and/or potential property owners in the district or to realtors. Additionally, the existing notice does not provide a calculation for either the proposed mill levy or the current levy, and therefore tends to overstate the most probable financial impact to the property owner. Conversely, the notice does not advise the reader as to any unique representational issue with respect to master/ control districts, if these are applicable.

The City also has an annual reporting requirement for all metropolitan districts that have been created since the Model Service Plan requirement has been in

place (Year 2006). For these metropolitan districts, the contents of this report are stipulated in the Model Service Plan (see Section VII of Attachment 5) and these are quite extensive. However, the annual report does not explicitly require an updated accounting of any developer funding agreements, if applicable. There is no web-accessible central posting location for these reports. Additionally, this data is not currently tabulated in a consistent comparative summary format.

El Paso County has addressed many of these issues by requiring a combined *Annual Report and Disclosure Form* which keeps the notice information current and allows it to be posted on the County web site in a readily accessible manner.

3. Business Improvement Districts (BIDs)

Business Improvement Districts (BIDs) are authorized to be created in municipalities under 31-25-1201 of the Colorado Revised Statutes. As their name implies, BIDs are established for the purpose of constructing and maintaining public improvements in established commercial areas and to provide other business services. These other services can include marketing, communications and parking management. As part of the approval process, the City approves an operating plan for the BID.

The governing body of the municipality sits as the *ex officio* governing body but may appoint a separate board of directors. Council exercises this option with City of Colorado Springs BIDs. Business Improvement Districts cannot be created without concurrence of owners representing at least 50 percent of the assessed valuation and at least 50 percent of the district's land. The advantage the City has with respect to more control of BIDs also means more responsibility for the actions of the district. Business Improvement Districts may levy *ad valorem* property taxes, make special assessments on property and/or charge user fees within the district. The BID may issue general obligation debt.

As of ten years ago, there were no BIDs in the City. There are now a total of ten, including one which is in the process of being formed. These BIDs are listed in Table 4 along with their 2008 mill levies, as certified on December 18, 2008. The levies vary significantly, depending on the purposes and activities of the BID and the anticipated indebtedness.

Table 4
City of Colorado Springs Business Improvement Districts
with 2008 Mill Levies

Name	Date of Creation	2008 Mill Levy
Barnes and Powers North	2004	51.00
Barnes and Powers South	2004	28.336
Briargate Center	2002	25.00
First and Main	2003	51.00
First and Main North	2004	36.00
Greater Downtown	1996	5.00
Interquest North	2004	1.00
Interquest South	2004	1.00
Powers/ Woodmen Commercial	2004	1.00
First and Main No. 2 (1)	2008	N/A

Source: El Paso County Assessor; 2008 mill levy, payable in 2009
(1) This district has been created from within the existing First and Main BID. It is anticipated to have a total mill levy of 51, with 50 of those mills set aside for debt service.

In response to the current crisis and financial downturn, there is a potential that newer BIDs with issued debt may be required by their bond documents to raise their mill levies as high as, but no higher than, the mill levy caps that were imposed by the City as part of their formation.

4. General Improvement Districts (GIDs)

General Improvement Districts (GIDs) are authorized under Title 31 of the Colorado Revised Statutes and generally allow for the imposition of a property tax and the issuance of bonded indebtedness to construct, acquire, install and maintain most types of public facilities which can otherwise be provided by the City. As with metropolitan districts, a GID can also impose certain fees and charges along with its mill levy. By statute, the debt of the GID is not a financial or legal obligation of the City. Organization of a GID occurs through a petition process, with the petition needing be signed by at least 30 percent (30%) or 200 of the registered electors who own taxable real estate within the proposed boundaries, whichever is less. Unlike a metropolitan district, there is no separately elected board of directors. The City Council functions as the *ex officio* district board. Council has responsibility for performing an annual audit and adopting a budget.

There are currently four active GIDs in the City, and at least four others have been dissolved within the past few decades, having paid off their obligations. The four active GIDs are listed in Table 5 along with their years of creation:

Table 5
City of Colorado Springs General Improvement Districts
with 2008 Mill Levies

Name	Date of Creation	2008 Mill Levy
Cottonwood	1985	7.00
Spring Creek	1985	20.00
Briargate	2000	12.00
Marketplace at Austin Bluffs	2006	25.00

Source: El Paso County Assessor; 2008 mill levy, payable in 2009

Up until the beginning of this decade, General Improvement Districts were used more often because City policy did not allow the creation of development-specific metropolitan districts with their separate boards. Now that metropolitan districts are allowed, GIDs are currently used less often, at least in part because the control of all financial decisions rests with the City, and this limits the developer's flexibility in using and adapting the district following its formation.

5. Special Improvement Maintenance Districts (SIMDs)

Special Improvement Maintenance Districts (SIMDs) are authorized under Chapter 3 Article 7 of the City Code and are established by ordinance for the limited purpose of providing maintenance and security for public improvements, including but not limited to streets, utilities, lighting, sidewalks, drainage, parking and traffic-control devices. Special Improvement Maintenance Districts are initiated by petition signed by the majority of persons owning real property in the proposed district. The intent of the City in authorizing the use of SIMDs was to allow the use of a property tax mill levy or an assessment to maintain public improvements considered extraordinary and for which the City would not normally appropriate ongoing maintenance or security funds. Establishment of either a new or increased mill levy in a SIMD requires voter approval. Special Improvement Maintenance Districts do not have the authority to issue bonds.

In establishing a SIMD, Council sets a maximum mill levy or assessment which can not be exceeded. Annually the City adopts a budget for the next year's activities of the district in coordination with an advisory committee and Parks Department staff.

There are currently seven active SIMDs in the City, and all of these were created between 1979 and 1989. They are listed in Table 6. One SIMD (the Pikes Peak and Tejon Intersection Improvement District) has been dissolved. No new SIMD has been created in the last 18 years. Six of the seven active SIMDs have a mill levy. The Platte Avenue District utilizes a per lineal foot assessment. The use of SIMDs in the 1980s was a response to the City's encouragement of enhanced public spaces in new developments (e.g., landscaped medians) coupled with the determination that City general funds were not available or appropriate for the ongoing maintenance of these enhancements. Now that the Special District Policy allows the broader use of metropolitan districts, and these districts are routinely created in conjunction with major new developments, metropolitan districts can typically assume the maintenance responsibility which would have necessitated the creation of a SIMD.

Table 6
City of Colorado Springs Special Improvement Maintenance Districts with 2008 Mill Levies

Name	Date of Creation	2008 Mill Levy
Briargate	1983	4.409
Colorado Avenue Gateway	1988	1.009
Norwood	1981	3.995
Old Colorado City Security and Maint.	1979	13.416
Platte Avenue	1989	Assessed per front foot
Stetson Hills	1986	3.858
Woodstone	1986	3.615

Source: El Paso County Assessor; 2008 mill levy, payable in 2009

Because SIMDs cannot issue debt, they are no longer routinely being formed. Because their operations fall directly under the control of the City, there are few broad policy concerns. The overlapping mill levy implications are limited because, with the exception of the Old Colorado City SIMD, none of the mill levies area greater than 5.0 mills.

6. Local Improvement Districts (LIDs)

Local Improvement Districts (LIDs) are special assessment districts that have been used in cities and towns for several decades as a means of assessing specifically benefiting properties for the costs of installing needed infrastructure or upgrading deficient infrastructure such as streets, curbs and gutters, sidewalks and drainage improvements. In non-home rule cities and towns, these types of districts would be referred to as Special Improvement Districts (SIDs). In the City, these districts are authorized by Chapter 3, Article 5, Part 1 (Section 3.3.103) of the 2001 City Code, as amended.

The LID process can be initiated by the City Engineer, City Council or three fourths of the affected property owners. In either case, what effectively needs to occur is agreement to the assessment by at least half of the affected properties and owners. If the LID is created, all or a portion of the cost of the actual improvements is assessed on a proportional basis for each of the included properties, along with any related administrative, bonding and interest costs (if bonds are issued). Assessments are collected by the County Treasurer, separately, but in conjunction with property taxes. The LID is considered an administrative function and is controlled by the City.

In Colorado Springs, LIDs are typically used in established neighborhoods as a means of funding a share of public improvements desired by the property owners, and for which the City is not willing or able to fund the entire cost. They are administered by the City Engineering Department. The LID allows for fair share of these costs to be allocated under various formulas that do not need to include property value. The term of the LID assessments is normally limited to ten years, but can be extended. Upon completion of the assessments, the LID essentially has no further force and effect. .

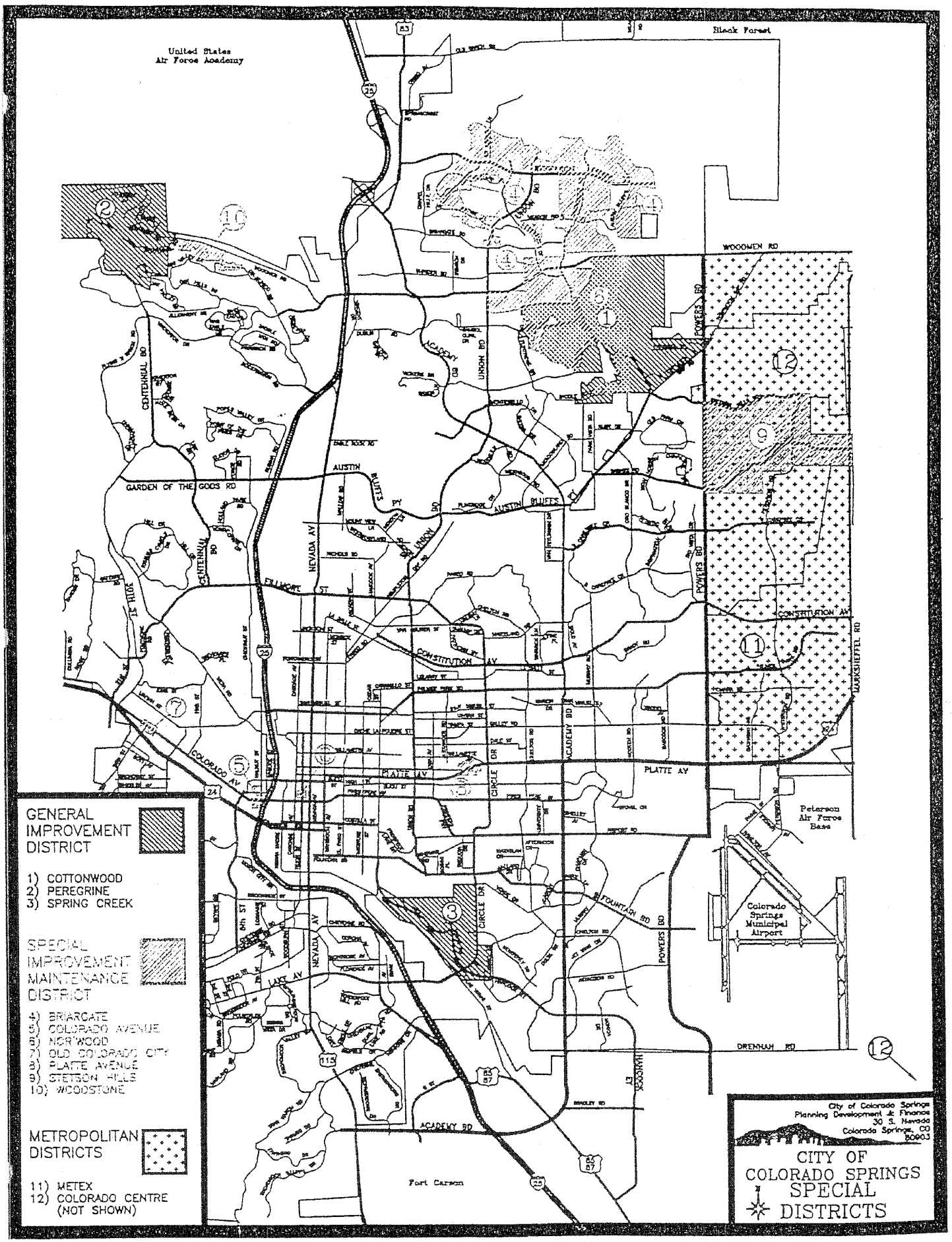
Currently, there are nine active LIDs in the City, located primarily on the west side of the City. These are listed in Table 7. They assess for projects including street and sidewalk improvements, enhanced street lighting, undergrounding of electric utilities, sewer line extensions, and drainage improvements. In most cases, there is a City or Utilities share of the total costs, with the remainder being allocated to the properties. The largest and most unique City LID is the Woodmen Valley LID, which was created in 1995 for the purpose of extending water infrastructure to serve about 160 primarily unincorporated rural lots located south of the Air Force Academy. With the exception of this LID, the others are all wholly within City limits and encompass limited geographic areas.

Table 7
City of Colorado Springs Local Improvement Districts

Name	Year Created	Year to be Paid Off
Cheyenne Creek	2001	2010
Tejon Street	2008	2017
Eagle Rock Road	2002	2010
Cheyenne Road	2000	2010
15th and Spring	2000	2009
Broadmoor Overhead to Underground	2000	2009
Carmel	1999	2009
Uintah	1999	2009
Woodmen	1995	2009

Source: City of Colorado Springs Financial Services

Of the nine active LIDs, all but one (the Tejon Street Lighting LID) are due to be paid off and dissolved by the end of Year 2010. Local Improvement Districts are now used less than they were in the past. This may be in part due to a reluctance to recommend and approve use of an LID if there is any significant opposition. Since 2004, the Pikes Peak Rural Transportation Authority has also been available in some cases as an alternate source of funds for road-related neighborhood public facility upgrades.


United States Air Force Academy
Black Forest
WOODMEN RD
POWERS BD
UNION BD
ACADEMY BD
CENTENNIAL BD
GARDEN OF THE GODS RD
AUSTIN BLUFFS PY
NEVADA AV
FILLMORE ST
CONSTITUTION AV
MARKSHEFFEL RD
COLORADO AV
PLATTE AV
CIRCLE DR
FOUNTAIN BD
DRENNAN RD
HANCOCK ST
LAKE AV
Peterson Air Force Base
Colorado Springs Municipal Airport
Fort Carson
GENERAL IMPROVEMENT DISTRICT
1) COTTONWOOD
2) PEREGRINE
3) SPRING CREEK
SPECIAL IMPROVEMENT MAINTENANCE DISTRICT
4) BRIARGATE
5) COLORADO AVENUE
6) NORWOOD
7) OLD COLORADO CITY
8) PLATTE AVENUE
9) STETSON HILLS
10) WOODSTONE
METROPOLITAN DISTRICTS
11) METEX
12) COLORADO CENTRE (NOT SHOWN)
City of Colorado Springs
Planning Development & Finance
30 S. Nevada
Colorado Springs, CO
80903
CITY OF COLORADO SPRINGS SPECIAL DISTRICTS

MAP #1

Attachment 1

Current City of Colorado Springs Special District Policies

Special District Policy
Approved January 24, 2006

1. This policy applies to Business Improvement Districts (BID), General Improvement Districts (GID), and Metropolitan Service Districts as allowed under Colorado Revised Statutes Titles 31 and 32.

2. Applicants must complete and submit a Titles 31 and 32 Special District Transmittal Form and applicants for Title 32 Metropolitan Districts must complete and submit a Service Plan. Any deviation from the Metropolitan District Model Service Plan will be reviewed by City Staff and, if deemed material by Staff, will require specific City Council review and approval as a Service Plan modification. For Title 32 Metropolitan Districts, the Model Service Plan contains the complete and comprehensive description of all Policy components.

3. In accordance with 7-100 of the City Charter, the District shall not issue any debt instrument for any purpose other than construction of capital improvements with a public purpose necessary for development.

4. As set forth in 7-100 of the City Charter, the total debt of any proposed District shall not exceed 10 percent of the total assessed valuation of the taxable property within the District unless approved by at least a two-thirds vote of the entire City Council.

5. Any proposed District must commit to the City that its mill levy dedicated to repaying any bonded debt will not exceed the greater of 30 mills for residential properties or 50 mills for commercial properties and may be Gallagher adjusted (or otherwise adjusted) to the extent permitted by law. The maximum allowed for operating is 10 mills for both residential and commercial properties which may be Gallagher adjusted (or otherwise adjusted) to the extent permitted by law.

6. The District shall not consent to the organization of any other district organized under the Special District Act within the Service Area which will overlap the boundaries of the District unless the aggregate mill levy for payment of Debt of such proposed districts will not at any time exceed the Maximum Debt Mill Levy of the District.

7. Districts shall not impose a debt service mill levy on any District initially established as a Residential District which exceeds 40 years after the year of the initial imposition of such debt service mill levy unless: (1) a majority of the Board of Directors of the District imposing the mill levy are residents of such District and (2) such Board has voted in favor of issuing debt with a term which requires or contemplates the imposition of a debt service mill levy for a longer period of time than the limitation contained herein.

8. The District cannot issue debt or certify a debt service mill levy until the property included within the District has a City approved Master Plan and other more detailed land use approvals.

9. Limited tax general obligation bonds issued by a District shall be structured and/or credit enhancements provided such that the bonds cannot default as long as the District is imposing the required maximum allowed mill levy.

10. Prior to the issuance of any privately placed debt for capital related costs, the District shall obtain the certification of an External Financial Advisor regarding the fairness and feasibility of the interest rate and the structure of the debt.

11. The bonds or other debt instruments of Districts will be limited to those that are payable either from ad valorem property taxes, assessments, permitted user fees, reimbursements and interest earnings of the District, and from other revenues made available to the District. No District will be allowed to impose a sales tax.

12. The debt of any District will not constitute a debt or obligation of the City in any manner. The faith and credit of the City will not be pledged for the repayment of the debt of any District. This will be clearly stated on all offering circulars, prospectus, or disclosure statements associated with any securities issued by the District. Districts formed under Title 32, CRS shall not utilize the City of Colorado Springs' name in the name of the District.

13. The issuance of all bonds or other debt instruments of Districts shall be subject to the approval of the City Council. City Council's review of the bonds or other debt instruments of the Districts shall be conducted to ensure compliance with the Service Plan and all applicable laws.

14. All District bonds or other debt instrument, if not rated as investment grade, must be issued in minimum denominations of $100,000 and sold only to either accredited investors as defined in rule 501 (a) promulgated under the Securities Act of 1933 or to the developer(s) of property within the District.

15. Proceeds from the sale of debt instruments and other revenue of Districts may not be used to pay landowners within the District for any real property required to be dedicated for public use by annexation agreements or land use codes. Examples of ineligible reimbursements include but are not limited to: the acquisition of rights of way, easements, water rights, land for prudent line drainage, parkland, or open space unless consent from the City Council is given. Proceeds from the sale of debt instruments and other revenue of Districts also may not be used to pay for the construction of any utility infrastructure except for those categories of utility infrastructure covered by utility tariffs, rules, and regulations. Additionally, if the landowner/developer constructs the public infrastructure and conveys it to the District in return for a reimbursement obligation from the District, prior to making such reimbursement for such amounts, the District must receive the report of an independent engineer or accountant confirming that the amount of the reimbursement is reasonable.

16. Should the District construct infrastructure subject to a recovery agreement with the City or other entity, the District retains all benefits under the recovery agreement. Any such reimbursements for public improvements installed or financed by a District will remain the property of the District and be applied towards the repayment of its bonded debt, if any. Any reimbursement revenue not necessary to repay District bonded debt may be utilized by the District to construct additional public improvements as approved by City Council. The above provisions also apply in their entirety to circumstances where the public infrastructure has been constructed by the landowner/developer and subsequently conveyed to the District in return for a reimbursement obligation from the District; under those circumstances all applicable recovery agreements will be assigned to the District.

17. The existence of the District will not be considered a substitute for a financial assurance.

18. The City will establish and charge review and filing fees commensurate with the actual cost of processing and reviewing new and amended plans. Such fees are established by separate Council resolution and made available to all Service Plan applicants.

19. Districts shall take all reasonable steps necessary to ensure adequate disclosure of the existence, financial condition, and status of the District to all property owners within its boundaries. Specific written disclosure will be provided to all buyers of property within the District as required in 38-35.7-101 CRS. As required by 7-100 of the City Charter, the City will make available to the public all information regarding the financial condition and status of all General Improvement Districts within the City. Within 90 days of District formation, the District will record the approved Disclosure form included as an Exhibit in the approved Service Plan with the El Paso County Clerk and Recorder against all property included in the District.

20. All BIDs are required to submit an annual audit by March 31 performed by an independent certified public accounting firm.

21. No District shall have the authority of eminent domain or dominant eminent domain without prior City Council approval.

22. The Districts shall not include within any of their boundaries any property outside the Service Area (as described in the Service Plan) without the prior written consent of the City Council.

Attachment 2

Matrix of Recommended Policy and Procedural Changes

City of Colorado Springs Special District Policy and Procedure Recommendation Matrix

Prepared by City of Colorado Springs Comprehensive Planning Division
last revised May, 2009

Policy Area	Issue Discussion	Potential Action/Change	Pros and Cons
City Strategic Plan	Although there is a strong overall correlation between many of the Strategic Plan's goals and strategies and City's Special District Policy (Policy), the Plan currently contains no language that specifically pertains to the use of special districts.	Council may desire to include more explicit strategies in any future updates of the Strategic Plan.	This is a City Council prerogative.
Special District Data and Monitoring	The City currently maintains some comprehensive data on special districts but does not systematically track some key information, such as total overlapping debt or trends in potential tax revenue leakage. In some cases the City does not have convenient access to the data it does have.	The City could create and maintain a simple and annually updatable special district database that would be tied to a GIS layer, which could provide a standardized summary annual report to Council focusing on key trends, issues and fiscal impacts.	This would create some additional front end and ongoing work and cost for both staff and the districts or their managers. It would also require the adoption of a new annual report requirement in order to systematically provide the needed data.

Policy Area	Issue Discussion	Potential Action/Change	Pros and Cons
Annual Reports and Disclosure	The City currently requires the submittal of a Disclosure Form with each Service Plan for an new district, and also requires submittal of an annual report by each district. However, the two documents are not consistent at this time, and the static disclosure form naturally becomes less useful and informative over time. It may be prudent to revisit the contents of the annual report to determine if all requested information is still needed and/or other information is needed, and to provide it in a more consistent form.	A combined annual report and disclosure form following the model now used by the County could be required, and these forms could be posted on the County Assessor's web site and possibly the City web site. This assures current information is readily available both to the public and to City staff for reporting purposes. The City would still require additional separate documents as part of the annual report.	El Paso County is already doing this, so there would be limited cost and effort on the part of either staff or the districts. This would result in consistent and current information available to all interested parties, and may reduce the need for staff to directly respond to inquiries. There would be some minimal administrative cost associated with sending out the annual e-mail reminders and with compiling and posting the data. There is an added concern with the effort it takes to get 100% compliance and with potentially having to take actions to assure compliance.
Special District Policy-General	Generally, the Special District Policy is not strategic in nature and instead is structured more as a limiting document. Its primary purpose is to protect the City's interests and to limit any direct liability of the City associated with district formation and later operation. The presumption is that if a service plan meets the minimum requirements in the Policy and the Model Service Plan, it should be deemed approved. There is also a potential concern with limitations that are included in the Policy but not in the Model Service Plans. For example, the current limit on certain financial actions prior to land use approval is found in the Policy but not in the Model Plans. Finally, the Policy could be better formatted.	The Policy could be reformatted similar to the current El Paso County Special District Policies. Add some additional strategic direction to Policy related to creation and use of special districts going forward. Address areas where Policy is currently silent.	The current approach creates the least amount of work for staff and the districts and has a high degree of predictability. However, the current Policy is silent on some key policy areas that should be of concern (see below). The City may also desire to be more pro-active and strategic in exercising its authority to allow the creation of new districts going forward. There would be very few cons to reformatting the Policy other than the work involved both on part of staff and the industry. If the El Paso County format were used as a beginning template, this would reduce effort and result in more consistency between the City and County.

Policy Area	Issue Discussion	Potential Action/Change	Pros and Cons
Model Service Plans General	Generally, the currently approved Model Service Plans act somewhat as a standard-form contract with very little unique language included other than the name(s) of the districts, minimal discrete facts about the district, details as to certain financial limits and departures from the adopted model. The Model Plan does not provide all of the information that is helpful to the City in reviewing and potentially approving the service plan.	Current model plans could be maintained, but expanded slightly to better describe the intended function and activities of the district and to address added policy areas below. Also, the submittal of certain supporting information could be required with the application, but outside of the service plan. The Model Service Plans could be revised to assure they address all relevant Policy elements. A third model plan could be created for specific use for master district structures if these continue to be allowed by Policy. A separate master district model plan would also allow the topic of transitioning back to conventional districts, to be addressed.	Requiring some additional information in the service plan will assist in the City's evaluation of the plans as part of the approval process. However, much of this information (and especially its financial assumptions) needs to be considered as a "snapshot in time." The service plan is a static document whereas the district's functions and its financial context should be expected to evolve over time, subject to the limits established in statute and/or the service plan. An alternate approach is to ask for specific information to be submitted outside of the Service Plan. The adoption of a third model plan for master or control districts would be a very simple step involving minor modifications to the multiple-district model.
Proliferation	The current Policy and Model Plans do not address the topic of the proliferation of districts; State statute requires consideration of options for the service to be provided by an existing entity, but does not directly address proliferation. Proliferation has the potential to create a further "balkanization" of governmental entities, budgets and services. The complex interactions among all these governments could also reduce future efficiencies in providing public services.	A policy discouraging excess proliferation of districts could be added, with the applicant being required to address the policy. "Excess proliferation" would need to be defined. This would essentially be the minimum number of districts required to get the job done.	There are no real downsides to this recommendation other than to note a cogent argument can always be made for creating more districts such that evaluation of this policy will always be at least somewhat subjective.

Policy Area	Issue Discussion	Potential Action/Change	Pros and Cons
Mill Levy Caps	The current Policy (No. 5 and No.6 specifically) are somewhat unclear as to how the limit on aggregate mill levies applies. The newly created district clearly cannot consent to creation of additional districts.	The Policy and Model Service Plans could be clarified to stipulate that the City will also not authorize additional districts with similar purposes if the result would be an effective increase in the mill levy cap. The application process could also be modified to require a thorough evaluation of aggregate mill levy caps.	The City already has circumstances where aggregate mill levy caps are exceeded either directly or indirectly, and there will be situations where the City will want to waive this requirment. However, a permissive policy would allow these waivers.
Minimum District size and/or valuation	The current Policy and Model Plans do not address the minimum size and/or valuation of a proposed district. Given the use of districts primarily for financing and the "level playing field" argument, some districts are getting smaller in terms of both area and total projected valuation. In addition to the general concerns with governmental proliferation, there is also a potential for added financial risk for districts that are wholly tied to the success of a very small project. Additionally, there is a concern with dilution of useable district proceeds related to small districts because they need to allocate more of their revenues to overhead costs, including ongoing administration and cost of bond issuance.	The proponent could be required to address district scale issues as a part of the standard submittal process and also set a minimum standard for ultimate assessed valuation (suggestion: $3,000,000 in 2008 dollars)- allowing for this standard to be waived upon specific justification.	This approach allows the scale issue to be considered on a somewhat objective basis, while still leaving options for deviation open to proponents and Council. Application of the standard would set a floor for the minimum district size and would effectively preclude the smallest developers from obtaining the district financing advantages available to the larger developments.

Policy Area	Issue Discussion	Potential Action/Change	Pros and Cons
Underlying Land Use Approvals	Underlying land use approvals represent the basis for the statutory findings related to need, efficiency of service and ability to discharge debt. A timing problem occurs in cases where the basic land uses are not in place to support the district(s). The City would be in the position of approving a district that could potentially enter into financial commitments that are contingent upon subsequent land use approvals. The current Policy addressed this concern by stating that the district shall not issue debt or certify a mill levy until the underlying approvals are in place. The language in the Model Service Plan currently provides for a description of the land use plans, and includes a disclaimer that approval of the service plan does not guarantee any future land use approvals. There are other potential concerns with premature approval of a district.	Require a more thorough evaluation of land use approval status as part of the application process. Revise the Policy to more comprehensively address the issue. Provide for a waiver that would allow earlier creation of the districts, subject to deferral of most district activities (e.g., financial obligations and certifying a levy) until and unless the basic land use approvals are in place. Also require an agreement to dissolve the district in the event the approvals are not forthcoming.	This recommendation allows the City to make the appropriate findings related to the need for the district(s) and protects the City's land use discretion with very little downside to the developer.

Policy Area	Issue Discussion	Potential Action/Change	Pros and Cons
Master or Control Districts	The current Policy is silent on the subject of using master or control district arrangements in lieu of either more traditional single conventional representational districts and/or multiple districts each of which will transition to resident property owner control. The multiple district Model Service Plan allows for some details of master district arrangement to be set forth in the service plan, but does not require justification or discussion of the full implications of these organizational arrangements .	An affirmative policy could be adopted to either allow or not allow the use of master districts. The City could set up a system which only allows them by waiver with justification. If and when master districts are allowed an enhancement of the Disclosure Form could require specific disclosure of the representational limits of this system. Adoption of a separate and unique Model Service Plan tailored to master district arrangements, could also be required.	Simply adopting an informed affirmative policy on this issue represents good public policy. There are pros and cons as to the actual policy choice. As discussed in more detail in the white paper, a prohibition in the use of master districts may result in proposals for greater numbers of sequential districts in order to provide assurances that the developer maintains control over the district's decisions regarding future development phases. Without effective and ongoing disclosure of master district arrangements, there is the potential for future public concern.

Policy Area	Issue Discussion	Potential Action/Change	Pros and Cons
Covenant Enforcement and Other Traditional Property Owners Association Functions	The current Policy is silent on the topic of covenant enforcement by special districts. There may be advantages in the district(s) having this role where electoral control of the district(s) is set up to transition to the property owners in the development. Where a master district arrangement is put in place, there may be representational concerns. The City's current operational mill levy cap of 10.0 mills will likely preclude the complete transition of traditional property owners association (POA) service and common area functions to districts. There will be added tax revenue impacts at the federal, state and local levels if significant transitioning of these traditional POA functions is allowed. There may also be tax equity issues related to the fact that common area maintenance needs vary substantially throughout many larger developments.	The City could require that covenant enforcement and related POA topics be addressed as applicable in the application process and address the topic in the Policy. This function could be allowed to occur in conventional districts, but not to occur without a waiver with master district arrangements.	There are few cons associated with simply better addressing the topic in service plans and thus avoiding eventual surprises. Allowing covenant enforcement in a master district scenario is a representational policy issue that should be discussed by City management, the Special District Committee, the development community and ultimately by City Council. Similarly, the issues concerning the semi-public nature of certain common area functions and the implications of raising the 10 mill operational mill levy cap to effectively allow a full transfer of these POA functions to districts functions merits high level informed policy discussion. Overall, covenant enforcement is not a power that the City currently has. Therefore, granting the right to use this authority to a district does not delegate any power or authority to the district.

Policy Area	Issue Discussion	Potential Action/Change	Pros and Cons
Developer Funding Agreements	As discussed in more detail in the white paper, developers often enter into agreements with their districts at the front end of the development process. Among other things, these agreements address the fundamental time lag between the need for the improvements and the ability of the districts to bond for them. Subject to limitations, these agreements commit the districts to either pay or repay the developer for eligible costs or facilities which they advanced to the district, sometimes with interest accruing until the developer is paid. While these arrangement may be generally advantageous in the short term, there are concerns if the obligations are not settled within a short time frame. If these agreements call for the payment of interest, and they end up in place for long periods, they may have the ultimate effect of extending the overall effective period over which the district finances its debt. These obligations may be difficult to discover if they are not systematically disclosed.	The City could require the topic of developer funding agreements to be addressed in the application process. The topic could be affirmatively addressed in the Policy and in the Model Service Plans. Annual disclosure of any such agreements could be required in a form readily available to the public. A policy could be adopted which would limit the time frame these agreements are allowed to remain in place and set a maximum interest rate. The current 40-year limit on the maximum period of bonded indebtedness could be modified to also pertain to these agreements, possibly with some latitude for extension of the 40-year period.	Outright prohibition of developer funding agreements would make it very difficult for the districts to operate at the front end of the development cycle. Moreover, there might be a tendency to issue more debt earlier with added risk and higher interest rates. Placing no limits on developer funding agreements creates the potential that the taxpayers will end up paying primarily interest for a longer period over the life of the district. Not systematically disclosing all funding agreements has the effect of understating the total potential liabilities of the districts and does not fully and affirmatively inform the taxpayers. The City's current requirement limiting the maximum period of bonded indebtedness to 40 years already limits the effective life of developer financing agreements once the first bonds are issued.

Policy Area	Issue Discussion	Potential Action/Change	Pros and Cons
Specific Ownership Tax Impacts	As special districts (and especially financing districts) continue to proliferate and mature throughout the County and take advantage if their deTABORed status and allowable Gallagher adjustments, they will be allocated an increasing share of all Specific Ownership Tax (SOT). The City's proportional share will continue to decrease. This is a regional, and not just a City/district, issue. Within a few decades it is very likely that the combined total special district share of SOT will be greater than the combined share going to the County and all of its municipalities. This topic is not addressed in the Policy or Model Plans.	The City could amend the Policy and Model Service Plans to require new districts to forego what would be their share of the SOT, if this is legal. If possible this should be accomplished regionally, both to maximize the revenue and to maintain equity among all new districts in the County. Alternately, the City could adopt a policy for new districts now, but which reserves the future option of the City to require the districts not accept SOT or otherwise make the City whole with respect to SOT at some future time.	The advantage of this policy is that it would significantly reduce future tax revenue "leakage" to districts, but only at points well off into the future. The disadvantages include the facts that the impact is regional, that this policy would not impact the existing districts which already cover much of the City, and that if implemented, would create a different set of operating parameters for new versus existing districts. There may be legal questions as to whether this policy could be implemented. Practical implementation of this policy would presumably be simple, as a particular district could simply be omitted from the formula used to allocate SOT.
Sales Tax Impacts	As political subdivisions, districts are exempt from paying sales tax on their direct purchases. This exemption does not extend to purchases made by contractors hired by the districts to do work. Within the City, the role of districts is almost entirely limited to financing. Therefore, they have limited need for direct purchases. Where the issue potentially comes up is if and when the district were to make a direct purchase of construction materials (e.g. asphalt, concrete, pipe) and then claim a sales tax exemption. This topic is not addressed in the Policy or Model Plans. Unlike with SOT, this is really not a regional problem and could be addressed affirmatively by the City alone.	The City could adopt a new policy requiring the district to "make the City whole" with respect to sales tax either at this time or at a reserved later opportunity. The County has such a policy at this time.	Not instituting a new sales tax policy will result in additional sales tax leakage to districts. However, as with SOT above, a new policy would not apply to the existing districts that cover much of the developing area of the City. Practically, this policy may also be difficult to enforce and audit.

Policy Area	Issue Discussion	Potential Action/Change	Pros and Cons
Property Tax Overlap	There is a general perception that the trend toward increasing special district property taxes will, over time, cause voters in these areas to be less likely to vote for City, County, school district and other more regional tax increases or extensions. This is more of an issue in residential special districts, as these are the areas that have resident electors. Although this assumption is intuitive and probably logical over the long run, actual experience does not yet appear to bear out this relationship. Voters in newer areas with already higher taxes still tend to vote more often for tax increases. It is not known whether or not these voters would be even more inclined to vote favorably if they had lower mill levies.	More information is needed. The City should continue to monitor election results. In the meantime, the City can enhance disclosure and public information as noted above to make it more clear where the various proportions of total property taxes go. In any case, the Policy should be clarified to address the specific topic of whether the mill levy caps should be district specific, or should pertain to the cumulative impact of all overlapping special district levies. The staff recommendation is that the caps should be cumulative, but with the option to make a case for higher cumulative caps	Clarifying City policy with respect to property tax overlap would be helpful. However, flexibility should be maintained to address particular needs and circumstances.

Policy Area	Issue Discussion	Potential Action/Change	Pros and Cons
Neighborhood Parks	The operative policy with respect to newer large-scale developments is that they are being required to construct and then own and maintain their neighborhood parks. Essentially, the developer's agreement to take over this function becomes a requisite in exchange for the opportunity to form a district. This current policy is not clearly articulated in any adopted City Policy. The only reference is found in the Model Service Plans where it is stipulated that district-maintained parks need to be open to the general public. There may be a concern with relative equity across the City if certain district residents are required to fund the operation of their parks over time, while all other residents have benefit of this as a general City service.	The use of districts to fund parks operation and maintenance should be affirmatively addressed in the Policy. There should be assurance that relevant documents fully contemplate the potential that districts might not be in a position to maintain parks to City standards in the future.	Having a policy in place with respect to this issue would protect the City and presumably lead to more consistent treatment of similarly situated developers.

Attachment 3

Standards Found in Colorado Revised Statutes

Statutory Criteria for Action on Special District Service Plans

32-1-204.5. Approval by municipality.

(1) No special district shall be organized if its boundaries are wholly contained within the boundaries of a municipality or municipalities, except upon adoption of a resolution of approval by the governing body of each municipality. The information required and criteria applicable to such approval shall be the information required and criteria set forth in sections 32-1-202 (2) and 32-1-203 (2).

32-1-203. Action on service plan - criteria.

2) The board of county commissioners shall disapprove the service plan unless evidence satisfactory to the board of each of the following is presented:

(a) There is sufficient existing and projected need for organized service in the area to be serviced by the proposed special district.

(b) The existing service in the area to be served by the proposed special district is inadequate for present and projected needs.

(c) The proposed special district is capable of providing economical and sufficient service to the area within its proposed boundaries.

(d) The area to be included in the proposed special district has, or will have, the financial ability to discharge the proposed indebtedness on a reasonable basis.

(2.5) The board of county commissioners may disapprove the service plan if evidence satisfactory to the board of any of the following, at the discretion of the board, is not presented:

(a) Adequate service is not, or 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.

(b) The facility and service standards of the proposed special district are compatible with the facility and service standards of each county within which the proposed special district is to be located and each municipality which is an interested party under section 32-1-204 (1).

(c) The proposal is in substantial compliance with a master plan adopted pursuant to section 30-28-106, C.R.S.

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

(e) The creation of the proposed special district will be in the best interests of the area proposed to be served.

Attachment 4

List of Special Districts in Colorado Springs

May 8, 2009

List of Special Districts

General Improvement Districts

City Council sits as the Board.

1. Briargate GID – (2000)
2. Cottonwood GID – (1985)
3. Marketplace at Austin Bluffs GID – (2006)
4. Spring Creek GID – (1985)

Special Improvement Maintenance Districts (1)

City Council sits as the Board.

1. Briargate SIMD – (1983)
2. Colorado Avenue Gateway SIMD – (1988)
3. Norwood SIMD – (1981)
4. Old Colorado City Security and Maintenance SIMD – (1979)
5. Platte Avenue SIMD – (1989)
6. Stetson Hills SIMD – (1986)
7. Woodstone SIMD – (1986)

(1) These Districts cannot issue any debt.

Business Improvement Districts

Independent Board as defined in State Statutes

1. Briargate Center BID – (2002)
2. Barnes and Powers North BID – (2004)
3. Barnes and Powers South BID – (2004)
4. First and Main BID – (2003)
5. First and Main North BID – (2004)
6. Greater Downtown BID – (1996); (expanded boundaries in 2001)
7. Interquest North BID – (2004)
8. Interquest South BID – (2004)
9. Powers and Woodmen Commercial BID – (2004)
10. First and Main No. 2 BID (2008)

Metropolitan Districts

Independent Board as defined in Statutes

1. Colorado Center – (1984)
2. Metex - (1986) (2)
3. Banning Lewis Ranch Metros #1-#7 – Consolidated Service Plan – (2005) proposal to amend Service Plan to allow higher operating and maintenance mill levy for District #1-#5 and #7: District #6 will be amended for wastewater issue at a later date
4. Woodmen Heights Metros #1, #2 and #3 – Consolidated Service Plan – (2004)
5. Gold Hills Mesa Metros #1, #2 and #3 – Consolidated Service Plan (2006); (original approval for Metros #1 and #2 for election purposes only in 2004)
6. Allison Valley Metros #1 and #2 – Consolidated Service Plan – (2006)
7. Bradley Ranch Metropolitan District – (2006)
8. College Creek Metropolitan District – (2006)
9. Colorado Crossing Metros #1, #2 and #3 – Consolidated Service Plan – (2006)
10. Stetson Ridge Metros #1, and #2 – (2000)
11. Stetson Ridge Metro #3 – (2006)
12. Flying Horse Metros #1, #2 and #3 – Consolidated Service Plan – (2004)
13. Mountain Vista Metropolitan District – (2006)
14. Old Ranch Metropolitan District and Upper Cottonwood Creek Metropolitan District – Joint Service Plan – (2002) (3)
15. Upper Cottonwood Creek Metros #2, #3, #4 and #5 – Consolidated Service Plan – (2006)
16. Rancho Metros #1, #2 and #3 – Consolidated Service Plan - (2005) proposed to be renamed to Bradley Heights Metros #1, #2, and #3 (2008)
17. City Infrastructure Metro (2008)
18. Downtown Metro (2008)
19. Power Corridor Metro (2008)
20. Powers Metro (2008)
21. Dublin North Metros #1, #2, and #3 (2008)
22. Copper Ridge Metro (2008)
23. Wildwood Metropolitan District
24. Canyon Creek Metros #1, #2 and #3
25. Lowell Metropolitan District
26. Spring Creek West (2007)
27. Wildgrass at Rockrimmon (2007)
28. Woodmen Road Metropolitan District (2001) (4)

(2) METEX District no longer certifies a mill levy or collects fees; will likely be formally dissolved in 2009.
(3) Reported as 2 different primary districts in the accounting of primary versus total metropolitan districts
(4) This district was created in El Paso County but has been subsequently applied to City of Colorado Springs pursuant to an Intergovernmental Agreement.

Total = 28 primary metropolitan districts and 53 individual metropolitan districts

Downtown Development Authority – (2006)

Independent Board as defined in Statutes

Local Improvement Districts

These are assessment districts authorized by City Code with City Council acting as the de facto Board

1. Woodmen Valley (1995) to be paid off in 2009
2. Carmel (1999) to be paid off in 2009
3. Uintah (1999) to be paid off in 2009
4. Cheyenne Road (2000) to be paid off in 2010
5. 15th and Spring (2000) to be paid off in 2010
6. Cheyenne Creek (2000) to be paid off in 2010
7. Broadmoor Overhead to Underground (2000) to be paid off in 2009
8. Eagle Rock Road (2002) to be paid off in 2010
9. Tejon Street Lighting (2008) to be paid off in 2017

LID program is managed by City Engineering

Other Unique Districts

1. Banning Lewis Ranch Flood Control Conservancy District (late 1980s) (6)
2. Broadmoor Fire Protection District (1949) (7)
3. Cheyenne Creek Metropolitan Park and Water District (1987 approx.) (8)

(6) This is an inactive and unique assessment district set up under C.R.S. Title 37 in conjunction with the annexation of the Banning Lewis Ranch property in the late 1980s

(7) This is a Title 32 fire protection district organized in 1949 and maintained in the City of Colorado Springs after the 1980 annexation of the Broadmoor area in order to provided enhanced fire protection in this area

(8) This is technically a Title 32 metropolitan district created in the City in for purpose of funding water rights to maintain stream flows in Cheyenne Creek. This district is allocated a share of State Conservation Trust Funds.

Attachment 5

Colorado Springs District Mill Levy Comparison

Attachment 5 - City of Colorado Springs Special Districts- Mill Levy Comparison

Name	Type of District	2007 Mill Levy *	2008 Mill Levy **	City- Imposed Mill Levy Caps			Comments
				Debt	Operations	Total	
Briargate GID	General Improvement District	12.000	12.000	N/A	N/A	N/A	District pre-dated City imposed mill levy caps. However, Council acts as Board of Directors for all GIDs
Cottonwood GID	General Improvement District	7.000	7.000	N/A	N/A	N/A	District pre-dated City imposed mill levy caps. However, Council acts as Board of Directors for all GIDs
Marketplace at Austin Bluffs GID	General Improvement District	6.000	25.000	50.0	10.0	60.0	Council acts as Board of Directors for all GIDs
Spring Creek GID	General Improvement District	20.000	20.000	N/A	N/A	N/A	District pre-dated City imposed mill levy caps. However, Council acts as Board of Directors for all GIDs
Briargate SIMD	Special Improvement Maintenance District	4.409	4.409	N/A	5.0	5.0	Council sets the mill levy for SIMDs: By Ordinance SIMD levies can not exceed 5.0 and can not be raised without a vote
Colorado Avenue Gateway SIMD	Special Improvement Maintenance District	1.009	1.009	N/A	5.0	5.0	Council sets the mill levy for SIMDs: By Ordinance SIMD levies can not exceed 5.0 and can not be raised without a vote
Norwood SIMD	Special Improvement Maintenance District	3.935	3.935	N/A	5.0	5.0	Council sets the mill levy for SIMDs: By Ordinance SIMD levies can not exceed 5.0 and can not be raised without a vote
Old Colorado City Security and Maintenance SIMD	Special Improvement Maintenance District	13.416	13.416	N/A			Council sets the mill levy for SIMDs
Platte Avenue SIMD	Special Improvement Maintenance District	none - assessment of $1.10 per front foot	none - assessment of $1.10 per front foot	N/A	N/A	N/A	Council sets the mill levy for SIMDs

Name	Type of District	2007 Mill Levy *	2008 Mill Levy **	City- Imposed Mill Levy Caps			Comments
				Debt	Operations	Total	
Stetson Hills SIMD	Special Improvement Maintenance District	3.858	3.858	N/A	5.0	5.0	Council sets the mill levy for SIMDs: By Ordinance SIMD levies can not exceed 5.0 and can not be raised without a vote
Woodstone SIMD	Special Improvement Maintenance District	3.615	3.615	N/A	5.0	5.0	Council sets the mill levy for SIMDs: By Ordinance SIMD levies can not exceed 5.0 and can not be raised without a vote
Barnes and Powers North BID	Business Improvement District	51.000	51.000	50.0	1.0	51.0	50 mills for debt service and 1 mill for general expenses
Barnes and Powers South BID	Business Improvement District	28.336	28.336	50.0	1.0	51.0	27.336 mills for debt service and 1 mill for general expenses
Briargate Center BID	Business Improvement District	25.000	25.000	50.0	1.0	51.0	cap raised from 20 to 50 in 2006; not positive on O&M cap
First and Main BID	Business Improvement District	1.000	51.000	50.0	1.0	51.0	50 mills for debt service and 1 mill for general expenses
First and Main North BID	Business Improvement District	36.000	36.000	50.0	1.0	51.0	current levy is 35 mills for debt service and 1 mill for general expenses
First and Main #2	Business Improvement District	0.000	0.000	50.0	1.0	51.0	
Greater Downtown BID	Business Improvement District	5.000	5.000	?	?	?	
Interequest North BID	Business Improvement District	1.000	1.000	50.0	1.0	50.0	
Interequest South BID	Business Improvement District	1.000	1.000	50.0	1.0	50.0	
Powers and Woodmen Commercial BID	Business Improvement District	1.000	1.000	50.0	1.0	51.0	
Allison Valley #1	Metropolitan District	0.000	0.000	N/A	N/A	N/A	Dist. 1 is management
Allison Valley #2	Metropolitan District	40.000	40.000	30.0	10.0	40.0	Dist. 2 is residential
Banning Lewis Ranch #1	Metropolitan District	0.000	0.000	30.0	20.0	50.0	residential; O&M cap raised to 20 in March 2008
Banning Lewis Ranch #2	Metropolitan District	40.000	50.000	30.0	20.0	50.0	residential; O&M cap raised to 20 in March 2008

Name	Type of District	2007 Mill Levy *	2008 Mill Levy **	City- Imposed Mill Levy Caps			Comments
				Debt	Operations	Total	
Banning Lewis Ranch #3	Metropolitan District	0.000	0.000	30.0	20.0	50.0	residential; O&M cap raised to 20 in March 2008
Banning Lewis Ranch #4	Metropolitan District	0.000	0.000	30.0	20.0	50.0	residential; O&M cap raised to 20 in March 2008
Banning Lewis Ranch #5	Metropolitan District	0.000	0.000	30.0	20.0	50.0	residential; O&M cap raised to 20 in March 2008
Banning Lewis Ranch #6	Metropolitan District	10.000	0.000	30.0	10.0	40.0	Plan is to convert to master district which will be renamed Banning Lewis Regional Metropolitan District- was not included 2008 mill levy cap changes.
Banning Lewis Ranch #7	Metropolitan District	0.000	0.000	50.0	20.0	70.0	commercial: O&M cap raised to 20 in March 2008
Bradley Ranch	Metropolitan District	40.000	40.000	30.0	10.0	40.0	residential
Canyon Creek #1	Metropolitan District	0.000	0.000	N/A	N/A	N/A	Service Plan approved in Fall 2008 - management district
Canyon Creek #2	Metropolitan District	0.000	0.000	30.0	10.0	40.0	Service Plan approved in Fall, 2008; residential district
Canyon Creek #3	Metropolitan District	0.000	0.000	50.0	10.0	60.0	Service Plan approved in Fall, 2009; commercial district
City Infrastructure	Metropolitan District	0.000	10.000	50.0	10.0	60.0	commercial
College Creek	Metropolitan District	40.000	40.000	30.0	10.0	40.0	residential
Colorado Center	Metropolitan District	25.084	25.000	none	none	none	mill levy for developer-owned property is 100.00; district created in County- no local government-imposed caps
Colorado Crossing #1	Metropolitan District	0.000	0.000	N/A	N/A	N/A	Dist. 1 is management
Colorado Crossing #2	Metropolitan District	40.000	40.000	30.0	10.0	40.0	Dist. 2 is residential
Colorado Crossing #3	Metropolitan District	40.000	40.000	50.0	10.0	60.0	Dist. 3 is commercial
Copper Ridge	Metropolitan District	0.000	45.000	50.0	10.0	60.0	
Downtown	Metropolitan District	0.000	20.000	50.0	10.0	60.0	

Name	Type of District	2007 Mill Levy *	2008 Mill Levy **	City- Imposed Mill Levy Caps			Comments
				Debt	Operations	Total	
Dublin North #1	Metropolitan District	0.000	0.000	30.0	10.0	40.0	Dist. 1 is management Check these caps
Dublin North #2	Metropolitan District	0.000	0.000	30.0	10.0	40.0	Dist. 2 is residential Check these caps
Dublin North #3	Metropolitan District	0.000	0.000	30.0	10.0	40.0	Dist. 3 is commercial Check these caps
Flying Horse #1	Metropolitan District	0.000	0.000	N/A	N/A	N/A	Dist. 1 is management Check these caps
Flying Horse #2	Metropolitan District	35.000	35.000	30.0	10.0	40.0	Dist. 2 is residential Check these caps
Flying Horse #3	Metropolitan District	35.000	35.000	50.0	10.0	60.0	Dist. 3 is commercial Check these caps
Gold Hill Mesa #1	Metropolitan District	0.000	0.000	N/A	N/A	N/A	Dist. 1 is management
Gold Hill Mesa #2	Metropolitan District	35.000	35.000	30.0	10.0	40.0	Dist. 2 is residential
Gold Hill Mesa #3	Metropolitan District	35.000	35.000	50.0	10.0	60.0	Dist. 3 is commercial
Lowell	Metropolitan District	48.940	48.940	40.0	10.0	50.0	check mill caps
Mountain Vista	Metropolitan District	30.000	30.000	30.0	5.0	35.0	
Old Ranch and Upper Cottonwood Creek (Joint Service Plan)	Metropolitan District	see UCC	0.000	18.9	3.5	24.4	
Powers	Metropolitan District	0.000	0.000	50.0	10.0	60.0	
Powers Corridor	Metropolitan District	0.000	0.000	30.0	10.0	40.0	
Rancho Colorado #1	Metropolitan District	0.000	0.000	30.0	5.0	35.0	check caps and for master district
Rancho Colorado #2	Metropolitan District	0.000	0.000	30.0	5.0	35.0	
Rancho Colorado #3	Metropolitan District	0.000	0.000	30.0	5.0	35.0	
Spring Creek West	Metropolitan District	0.000	0.000	30.0	10.0	40.0	
Stetson Ridge #1	Metropolitan District	0.000	0.000	N/A	N/A	N/A	management district
Stetson Ridge #2	Metropolitan District	24.472	32.144	16.8	5.6	22.4	need to check caps as there is an apparent discrepancy
Stetson Ridge #3	Metropolitan District	35.000	35.000	25.0	10.0	35.0	
Upper Cottonwood Creek	Metropolitan District	22.990	22.990	18.9	3.5	24.4	this district is related to Old Ranch
Upper Cottonwood Creek #2	Metropolitan District	10.000	10.000	30.0	10.0	40.0	residential
Upper Cottonwood Creek #3	Metropolitan District	10.000	10.000	30.0	10.0	40.0	residential
Upper Cottonwood Creek #4	Metropolitan District	10.000	10.000	30.0	10.0	40.0	residential
Upper Cottonwood Creek #5	Metropolitan District	10.000	10.000	50.0	10.0	60.0	commercial

Name	Type of District	2007 Mill Levy *	2008 Mill Levy **	City- Imposed Mill Levy Caps			Comments
				Debt	Operations	Total	
Wildgrass at Rockrimmon	Metropolitan District	0.000	0.000	30.0	10.0	40.0	
Wildwood	Metropolitan District	0.000	0.000	30.0	10.0	40.0	approved Fall 2008
Woodmen Heights #1	Metropolitan District	0.000	0.000	N/A	N/A	40.0	Dist. 1 is management
Woodmen Heights #2	Metropolitan District	40.000	40.000	30.0	10.0	40.0	Dist. 2 is residential
Woodmen Heights #3	Metropolitan District	40.000	40.000	50.0	10.0	60.0	Dist. 3 is commercial
Woodmen Road	Metropolitan District	10.800	10.800	25.0	none	25.0	District created in County
Cheyenne Creek Metropolitan Park and Water	Metropolitan District	0.800	0.800	N/A	N/A	N/A	pre-dates mill levy caps
Broadmoor Fire Protection District	Fire Protection District	4.500	4.500	N/A	N/A	N/A	pre-dates mill levy caps
Banning Lewis Ranch Flood Control Conservancy District	Conservancy District	N/A	N/A	N/A	N/A	N/A	district not currently active - no mill levy authority
Downtown Development Authority	DDA	5.000	5.000			5.0	State statute limits levy to no more than 5 mills

Notes:
1) This summary does not constitute an official document; the official documents for each district should be consulted to verify official mill levy caps
2) All metropolitan district mill levy caps are assumed to be Gallagher adjustable; however specific approval documents should be checked

* 2007 Taxes payable in 2008
** 2008 Taxes payable in 2009

last revised 2-04-09

Attachment 6

Multi-District Model Service Plan

[MULTIPLE DISTRICT PLAN]

MODEL SERVICE PLAN
FOR
_____ METROPOLITAN DISTRICT NO. _____
IN THE CITY OF COLORADO SPRINGS, COLORADO

Prepared

by

[NAME OF PERSON OR ENTITY]
[ADDRESS]
[ADDRESS]

[DATE]

Approved January 24, 2006

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I. INTRODUCTION

A. Purpose and Intent

The Districts are independent units of local government, separate and distinct from the City, 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 City only insofar as they may deviate in a material matter from the requirements of the Service Plan. It is intended that the Districts will provide a part or all of the Public Improvements for the use and benefit of all anticipated inhabitants and taxpayers of the Districts. The primary purpose of the Districts will be to finance the construction of these Public Improvements.

The Districts are not being created to provide ongoing operations and maintenance services other than those specifically set forth in Exhibit D to this Service Plan.

B. Need for the Districts

There are currently no other governmental entities, including the City, located in the immediate vicinity of the Districts 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 Districts is, therefore, necessary in order for the Public Improvements required for the Project to be provided in the most economic manner possible.

C. Objective of the City Regarding Districts Service Plan

The City's objective in approving the Service Plan for the Districts is to authorize the Districts to provide for the planning, design, acquisition, construction, installation, relocation, and redevelopment of the Public Improvements from the proceeds of Debt to be issued by the Districts. All Debt is expected to be repaid by taxes imposed and collected for no longer than the Maximum Debt Mill Levy Imposition Term for Residential Districts and at a tax mill levy no higher than the Maximum Debt Mill Levy for all Districts. Debt which is issued within these parameters and, as further described in the Financial Plan, will insulate property owners from excessive tax burdens to support the servicing of the Debt and will result in a timely and reasonable discharge of the Debt.

This Service Plan is intended to establish a limited purpose for the Districts and explicit financial constraints that are not to be violated under any circumstances. The primary purpose is to provide for the Public Improvements associated with development and regional needs. Operational activities are allowed, but only as specified in Exhibit D to this Service Plan.

It is the intent of the Districts to dissolve upon payment or defeasance of all Debt incurred or upon a court determination that adequate provision has been made for the payment of all Debt, and if any District has authorized operating functions under an intergovernmental agreement (IGA) with the City, to retain only the power necessary to impose and collect taxes or fees to pay for these costs.

The Districts shall be authorized to finance the Public Improvements that can be funded from Debt to be repaid from tax revenue collected from a mill levy which shall not exceed the Maximum Debt Mill Levy in any District and which shall not exceed the Maximum Debt Mill Levy Imposition Term in Residential Districts. It is the intent of this Service Plan to assure to the extent possible that no property in any District bears an economic burden that is greater than that associated with the Maximum Debt Mill Levy in amount, and that no property in a Residential District bears an economic burden that is greater than that associated with the Maximum Debt Mill Levy Imposition Term in duration even under bankruptcy or other unusual situations. Generally, the costs of Public Improvements that cannot be funded within these parameters are not costs to be paid by the Districts.

II. DEFINITIONS

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

Approved Development Plan: a Master Plan and other more detailed land use approvals established by the City for identifying, among other things, Public Improvements necessary for facilitating the development of property within the Service Area as approved by the City pursuant to the City Code and as amended pursuant to the City Code from time to time.

Board: the board of directors of one District or the boards of directors of all Districts, in the aggregate.

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

City: the City of Colorado Springs, Colorado.

City Code: the City Code of the City of Colorado Springs, Colorado.

City Council: the City Council of the City of Colorado Springs, Colorado.

Commercial Districts: District Nos. _____, inclusive, containing property classified for assessment as nonresidential. (NOTE: all districts which include or are expected to include any residential property must be defined as Residential Districts and not Commercial Districts).

Debt: any bond, note debenture, contract or other multiple-year financial obligation of a District which is payable in whole or in part from, or which constitutes a lien or encumbrance on the proceeds of ad valorem property tax imposed by a District.

Debt to Actual Market Value Ratio: the ratio derived by dividing the then-outstanding principal amount of all Debt of the District by the actual market valuation of the taxable property of the District, as such actual market valuation is certified from time to time by the appropriate county assessor.

District No. 1: the _____ Metropolitan District No. 1.

District No. __: the _____ Metropolitan District No. __.

District No. __: the _____ Metropolitan District No. __.

District or Districts: any one or all of the District Nos. 1 through ____ inclusive.

{Note: complete the above for all Districts to be organized. Districts are not permitted to use the name "City of Colorado Springs" in the name of the District}

External Financial Advisor: a consultant that: (1) 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; (2) shall be an underwriter, investment banker, or individual listed as a public finance advisor in the Bond Buyer's Municipal Market Place; and (3) is not an officer of the District.

Financial Plan: 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.

Inclusion Area Boundaries: the boundaries of the area described in the Inclusion Area Boundary Map.

Inclusion Area Boundary Map: the map attached hereto as Exhibit C-2, describing the property proposed for inclusion within one, but not any more than one, of the boundaries of the Districts.

Initial District Boundaries: the boundaries of the area described in the Initial District Boundary Map.

Initial District Boundary Map: the map attached hereto as Exhibit C-1, describing the District's initial boundaries.

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

Maximum Debt Mill Levy Imposition Term: the maximum term for imposition of a Debt Service mill levy in Residential Districts as set forth in Section VI.F below.

Maximum Operating Mill Levy: the maximum mill levy any of the Districts is permitted to impose for payment of operating and maintenance expenses as set forth in Section VI.J below.

Project: the development or property commonly referred to as _____.

Public Improvements: 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.

Residential Districts: District Nos. _____, inclusive, containing property classified for assessment as residential. (NOTE: all districts which include or are expected to include any residential property must be defined as Residential Districts and not Commercial Districts.)

Service Area: the property within the Initial District Boundary Map and the Inclusion Area Boundary Map.

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

Service Plan Amendment: an amendment to the Service Plan approved by City Council in accordance with the City's ordinance and the applicable State law.

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

State: the State of Colorado.

III. BOUNDARIES

The area of the Initial District Boundaries includes approximately _____ acres and the total area proposed to be included in the Inclusion Area Boundaries is approximately _____ acres. A legal description of the Initial District Boundaries and the Inclusion Area Boundaries is attached hereto as Exhibit A. A map of the Initial District Boundaries is attached hereto as Exhibit C-1, and a map of the Inclusion Area Boundaries is attached hereto as Exhibit C-2. A vicinity map is attached hereto as Exhibit B. It is anticipated that the District's Boundaries may change from time to time as it undergoes inclusions and exclusions pursuant to Section 32-1-401, et seq., CRS, and Section 32-1-501, et seq., CRS, subject to the limitations set forth in Article V below.

IV. PROPOSED LAND USE/POPULATION PROJECTIONS/ASSESSED VALUATION

The Service Area consists of approximately ___ acres of _____ land. The current assessed valuation of the Service Area is $0.00 for purposes of this Service Plan and, at build out, is expected to be sufficient to reasonably discharge the Debt under the Financial Plan. The population of the Districts at build-out is estimated to be approximately _____ people.

Approval of this Service Plan by the City does not imply approval of the development of a specific area within the Districts 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, unless the same is contained within an Approved Development Plan.

V. DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES

A. Powers of the Districts and Service Plan Amendment

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 and the Constitution, subject to the limitations set forth herein.

1. Operations and Maintenance Limitation. The purpose of the Districts is to plan for, design, acquire, construct, install, relocate, redevelop, and finance the Public Improvements. The Districts shall dedicate the Public Improvements to the City or other appropriate jurisdiction or owners association in a manner consistent with the Approved Development Plan and other rules and regulations of the City and applicable provisions of the City Code. The Districts shall not be authorized to operate and maintain any part or all of the Public Improvements after such dedication, including park and recreation improvements, unless the provision of such ongoing operation and maintenance is specifically identified in Exhibit D attached hereto. In the City's sole discretion, an IGA between the City and the District may be required in order to better describe the conditions under which these permitted services will be provided by the District. If the Districts are authorized to operate and maintain certain park and recreation improvements set forth in Exhibit D, any fee imposed by the Districts for access to such park and recreation improvements shall not result in non-District residents paying a user fee that is greater than, or otherwise disproportionate to, similar fees and taxes paid by residents of the Districts. However, the Districts shall be entitled to impose an administrative fee as necessary to cover additional expenses associated with non-District residents to ensure that such costs are not the responsibility of the Districts residents. All such fees shall be based upon the determination of the District imposing such fee that such fee does not exceed a reasonable annual market fee for users of such facilities. Notwithstanding the foregoing, all parks and trails shall be open to the general public including non-District residents free of charge.

2. City Charter Limitations. In accordance with Article 7-100 of the City Charter, the Districts shall not issue any Debt instrument for any purpose other than construction of capital improvements with a public purpose necessary for development.

As further set forth in Article 7-100 of the City Charter, the total Debt of any proposed District shall not exceed 10 percent of the total assessed valuation of the taxable property within the District unless approved by at least a two-thirds vote of the entire City Council.

3. Use of Bond Proceeds and Other Revenue of the Districts Limitation. Proceeds from the sale of debt instruments and other revenue of Districts may not be used to pay landowners within the District for any real property required to be dedicated for public use by annexation agreements or land use codes. Examples of ineligible reimbursements include, but are not limited to: the acquisition of rights of way, easements, water rights, land for prudent line drainage, parkland, or open space, unless consent from the City Council is given. Proceeds from

the sale of debt instruments and other revenue of the Districts also may not be used to pay for the construction of any utility infrastructure except for those categories of utility infrastructure covered by utility tariffs, rules, and regulations. Additionally, if the landowner/developer constructs the public infrastructure and conveys it to the District in return for a reimbursement obligation from the District, prior to making such reimbursement for such amounts, the District must receive the report of an independent engineer or accountant confirming that the amount of the reimbursement is reasonable.

4. Recovery Agreement Limitation. Should the Districts construct infrastructure subject to a recovery agreement with the City or other entity, the Districts retain all benefits under the recovery agreement. Any subsequent reimbursement for public improvements installed or financed by the Districts will remain the property of the Districts to be applied toward repayment of their Debt, if any. Any reimbursement revenue not necessary to repay the Districts Debt may be utilized by the District to construct additional public improvements permitted under the approved Service Plan.

5. Construction Standards Limitation. The Districts will ensure that the Public Improvements are designed and constructed in accordance with the standards and specifications of the City and of other governmental entities having proper jurisdiction. 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.

6. Privately Placed Debt Limitation. Prior to the issuance of any privately placed Debt for capital related costs, 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 Districts' Service Plan.
>
> We [I] certify that (1) the net effective interest rate (calculated as defined in Section 32-1-103(12), CRS) 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.

7. Inclusion Limitation. The Districts shall not include within any of their boundaries any property outside the Service Area without the prior written consent of the City Council.

8. Overlap Limitation. The boundaries of the Districts shall not overlap unless the aggregate mill levy for payment of Debt of the overlapping Districts will not at any time exceed the Maximum Debt Mill Levy of the Districts. Additionally, the Districts shall not consent to the organization of any other district organized under the Special District Act within the Service Area which will overlap the boundaries of the Districts unless the aggregate mill levy

for payment of Debt of such proposed districts will not at any time exceed the Maximum Debt Mill Levy of the Districts.

9. Initial Debt Limitation. On or before the date on which there is an Approved Development Plan, the District shall not (a) issue any Debt, (b) impose a mill levy for the payment of Debt by direct imposition or by transfer of funds from the operating fund to the Debt service funds, or (c) impose and collect any fees used for the purpose of repayment of Debt.

10. Total Debt Issuance Limitation. The issuance of all bonds or other debt instruments of Districts shall be subject to the approval of the City Council. City Council's review of the bonds or other debt instruments of the Districts shall be conducted to ensure compliance with the Service Plan and all applicable laws. The Districts shall not issue Debt in an aggregate principal amount in excess of $_____, provided that the foregoing shall not include the principal amount of Debt issued for the purpose of refunding or refinancing lawfully issued Debt.

OR

District No. ___ shall not issue Debt in an aggregate principal amount in excess of $_____, District No. ____ shall not issue Debt in an aggregate principal amount in excess of $_____, provided that the foregoing shall not include the principal amount of Debt issued for the purpose of refunding or refinancing lawfully issued Debt.

11. Monies from Other Governmental Sources. The Districts shall not apply for or accept Conservation Trust Funds, Great Outdoors Colorado Funds, or other funds available from or through governmental or nonprofit entities that the City is eligible to apply for, except pursuant to an intergovernmental agreement with the City. This Section shall not apply to specific ownership taxes which shall be distributed to and a revenue source for the Districts without any limitation.

12. Consolidation Limitation. The Districts shall not file a request with any court to consolidate with another Title 32 district without the prior written consent of the City.

13. Bankruptcy Limitation. All of the limitations contained in this Service Plan, including, but not limited to, those pertaining to the Maximum Debt Mill Levy and the Maximum Debt Mill Levy Imposition Term have been established under the authority of the City to approve a Service Plan with conditions pursuant to Section 32-1-204.5, CRS. It is expressly intended that such limitations:

(a) Shall not be subject to set-aside for any reason or by any court of competent jurisdiction, absent a Service Plan Amendment; and

(b) Are, together with all other requirements of Colorado law, included in the "political or governmental powers" reserved to the State under the U.S. Bankruptcy Code (11 U.S.C.) Section 903, and are also included in the "regulatory or electoral approval necessary under applicable nonbankruptcy law" as required for confirmation of a Chapter 9 Bankruptcy Plan under Bankruptcy Code Section 943(b)(6).

Any Debt, issued with a pledge or which results in a pledge, that exceeds the Maximum Debt Mill Levy or, for Residential Districts, the Maximum Debt Mill Levy Imposition Term, shall be deemed a material departure from this Service Plan pursuant to Section 32-1-207, CRS and the City shall be entitled to all remedies available under State and local law to enjoin such actions of the Districts.

14. Service Plan Amendment Requirement. This Service Plan has been designed with sufficient flexibility to enable the Districts to provide required services and facilities under evolving circumstances without the need for numerous amendments. While the assumptions upon which this Service Plan are generally based are reflective of an Approved Development Plan for the property within the Districts, the cost estimates and Financing Plan are sufficiently flexible to enable the Districts to provide necessary services and facilities without the need to amend this Service Plan as development plans change. Modification of the general types of services and facilities, and changes in proposed configurations, locations, or dimensions of various facilities and improvements shall be permitted to accommodate development needs consistent with then-current Approved Development Plans for the property. Actions of the Districts which violate the limitations set forth in V.A.1-12 above or in VI.B-F. shall be deemed to be material departures from this Service Plan and the City shall be entitled to all remedies available under State and local law to enjoin such actions of the Districts.

15. Eminent Domain Powers Limitation. Currently, the District does not expect to use the power of eminent domain. The District shall not exercise the power of eminent domain except upon the prior written consent of the City.

B. Preliminary Engineering Survey

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 Districts, to be more 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 Approved Development Plan on the property in the Service Area and is approximately $_____.

The Districts shall be permitted to allocate costs between such categories of the Public Improvements as deemed necessary in their discretion.

All of the Public Improvements described herein 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.

C. Multiple District Structure.

It is anticipated that the Districts, collectively, will undertake the financing and construction of the Public Improvements. The nature of the functions and services to be provided by each District shall be clarified in an IGA between and among the Districts. The maximum term of such IGA shall be forty (40) years from its effective date. All such agreements will be designed to help assure the orderly development of the Public Improvements and essential services in accordance with the requirements of this Service Plan. Implementation of such IGA is essential to the orderly implementation of this Service Plan. Accordingly, except as may be otherwise provided in such IGA, any determination of any one of the Board of Directors to set aside at the Agreement without the consent of all of the Board of Directors of the other Districts shall be a material modification of the Service Plan. Said IGA may be amended by mutual agreement of the Districts without the need to amend this Service Plan.

VI. FINANCIAL PLAN

A. General

The Districts shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment of the Public Improvements from its revenue 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 from revenue derived from the Maximum Debt Mill Levy and other legally available revenue, within the Maximum Debt Mill Levy Term for Residential Districts. The total Debt that the Districts shall be permitted to issue shall not exceed the total Debt issuance limitation set forth in Section V.A.10 hereof, and 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 revenue of the Districts, including general ad valorem taxes to be imposed upon all taxable property of the Districts. The Districts will also rely upon various other revenue sources authorized by law. These will include the power to assess fees, rates, tolls, penalties, or charges as provided in the Special District Act or other State statutes. No Districts will be allowed to impose a sales tax.

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. 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. No-Default Provisions

Debt issued by a District shall be structured so that failure to pay debt service when due shall not of itself constitute an event of default or result in the exercise of remedies. The foregoing shall not be construed to prohibit events of default and remedies for other occurrences including, without limitation, (1) failure to impose or collect the Maximum Debt Mill Levy or such portion thereof as may be pledged thereto, or to apply the same in accordance with the terms of the Debt, (2) failure to impose or collect other revenue sources lawfully pledged to the payment thereof or to apply the same in accordance with the terms of the Debt, (3) failure to abide by other covenants made in connection with such Debt, or (4) filing by a District as a debtor under any bankruptcy or other applicable insolvency laws. Notwithstanding the foregoing, Debt will not be structured with a remedy which requires the District to increase the Maximum Debt Mill Levy in any District or, in Residential Districts, the Maximum Debt Mill Levy Imposition Term.

D. Eligible Bondholders

All District bonds or other debt instrument, if not rated as investment grade, must be issued in minimum denominations of $100,000 and sold only to either accredited investors as defined in rule 501 (a) promulgated under the Securities Act of 1933 or to the developer(s) of property within the District.

E. Maximum Debt Mill Levy

The Maximum Debt Mill Levy shall be the maximum mill levy a District is permitted to impose upon the taxable property of the Districts for payment of Debt, and shall be determined as follows:

1. For Residential Districts the Maximum Debt Mill Levy shall be calculated as follows:

(a) The Maximum Debt Mill Levy shall be 30 mills; provided that if, on or after January 1, 2006, 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 of the issuing District in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenue generated by the mill levy, as adjusted for changes occurring after January 1, 2006, 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.

(b) At such time as the Debt to Actual Market Value Ratio within a Residential District is equal to or less than three percent (3%), the Board of that Residential District may request City Council approval for the right to pledge such mill levy as is necessary to pay the Debt service on such Debt, without limitation of rate. At the time of such request, a majority of the members of the Board must consist of homeowners owning property within the District. Once Debt has been determined to meet the above criterion, so that the District is entitled to pledge to its payment an unlimited ad valorem mill levy, such District may provide

that such Debt shall remain secured by such unlimited mill levy, notwithstanding any subsequent change in such District's Debt to Actual Market Value Ratio.

2. For Commercial Districts the Maximum Debt Mill Levy shall be calculated as follows:

(a) The Maximum Debt Mill Levy shall be 50 mills; provided that if, on or after January 1, 2006, 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 of the issuing District in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenue generated by the mill levy, as adjusted for changes occurring after January 1, 2006, 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.

To the extent that the Districts are composed of or subsequently organized into one or more subdistricts as permitted under Section 32-1-1101, CRS, the term "District" as used in this Section VI.E. shall be deemed to refer to the District and to each such sub district separately, so that each of the subdistricts shall be treated as a separate, independent district for purposes of the application of this Section VI.E.

F. Maximum Debt Mill Levy Imposition Term

Residential Districts shall not impose a Debt Service mill levy which exceeds 40 years after the year of the initial imposition of such Debt Service mill levy unless (1) a majority of the Board of Directors of the District imposing the mill levy are residents of such District, and (2) such Board has voted in favor of issuing Debt with a term which requires or contemplates the imposition of a Debt service mill levy for a longer period of time than the limitation contained herein. There shall be no Maximum Debt Mill Levy Imposition Term in Commercial Districts.

G. Debt Repayment Sources

Each of the Districts may impose a mill levy on taxable property within its boundaries as a primary source of revenue for repayment of debt service and for operations and maintenance. The Districts may also rely upon various other revenue sources authorized by law. At the Districts discretion, these may include the power to assess fees, rates, tolls, penalties, or charges as provided in Section 32-1-1001(l), CRS, as amended from time to time. In no event shall the debt service mill levy in any District exceed the Maximum Debt Mill Levy or, for Residential Districts, the Maximum Debt Mill Levy Imposition Term.

H. Debt Instrument Disclosure Requirement

In the text of each Bond and any other instrument representing and constituting Debt, the District shall set forth a statement in substantially the following form:

> By acceptance of this instrument, the owner of this Bond agrees and consents to all of the limitations in respect of the payment of the principal of and interest on this Bond contained herein, in the resolution of the District authorizing the issuance of this Bond and in the Service Plan for the District.

Similar language describing the limitations in respect of the payment of the principal of and interest on Debt set forth in this Service Plan shall be included in any document used for the offering of the Debt for sale to persons including, but not limited to, a developer of property within the boundaries of the Districts.

I. Security for Debt

No Debt or other financial obligation of any Districts will constitute a debt or obligation of the City in any manner. The faith and credit of the City will not be pledged for the repayment of any Debt or other financial obligation of any Districts. This will be clearly stated on all offering circulars, prospectuses, or disclosure statements associated with any securities issued by any Districts. Districts shall not utilize the City of Colorado Springs' name in the name of the District.

J. Maximum Operating Mill Levy

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 $_____ which is anticipated to be derived from property taxes and other revenue.

The Maximum Operating Mill Levy for the payment of the Districts operating and maintenance expenses shall be 10 mills; provided that if, on or after January 1, 2006, 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 operating and maintenance expenses 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 revenue generated by the mill levy, as adjusted for changes occurring after January 1, 2006, 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.

K. Developer Financial Assurances

The mere existence of the District will not be considered a substitute for financial assurances required under applicable City land use ordinances and regulations.

VII. ANNUAL REPORT

A. General

Each of the Districts shall be responsible for submitting an annual report to the Director of the City's Budget Department no later than August 1 of each year following the year in which the Order and Decree creating the District has been issued. The Districts may cooperate in the creation and submittal of the report, provided the presentation of information in the report clearly identifies the applicable information pertaining to each District.

B. Reporting of Significant Events

The annual report shall include information as to any of the following:

1. Boundary changes made or proposed to the District's boundary as of December 31 of the prior year.

2. Intergovernmental agreements with other governmental entities, either entered into or proposed as of December 31 of the prior year.

3. Copies of the Districts' rules and regulations, if any, as of December 31 of the prior year.

4. A summary of any litigation which involves the any District's Public Improvements as of December 31 of the prior year.

5. Status of the Districts' construction of the Public Improvements as of December 31 of the prior year.

6. A list of all facilities and improvements constructed by the Districts that have been dedicated to and accepted by the City as of December 31 of the prior year.

7. The assessed valuation of the Districts for the current year.

8. Current year budget including a description of the Public Improvements to be constructed in such year.

9. Audit of the Districts financial statements, for the year ending December 31 of the previous year, prepared in accordance with generally accepted accounting principles or audit exemption, if applicable.

10. Notice of any uncured events of noncompliance by the Districts under any Debt instrument which continue beyond a 90-day period.

11. Any inability of the Districts to pay their obligations as they come due, in accordance with the terms of such obligations, which continue beyond a 90-day period.

12. Copies of any Certifications of an External Financial Advisor provided as required by the Privately Placed Debt Limitation provision.

VIII. DISSOLUTION

Upon an independent determination of the City Council that the purposes for which the Districts were created have been accomplished, the Districts agree to file petitions in the appropriate District Court for dissolution pursuant to the applicable State statutes. In no event shall a dissolution occur until the Districts have provided for the payment or discharge of all of their outstanding indebtedness and other financial obligations as required pursuant to State statutes.

IX. DISCLOSURE TO PURCHASERS

The Districts will use reasonable efforts to assure that all developers of the property located within the Districts provide written notice to all purchasers of property in the Districts regarding the Maximum Debt Mill Levy, as well as a general description of the Districts' authority to impose and collect rates, fees, tolls and charges. The form of notice shall be substantially in the form of Exhibit E hereto; provided that such form may be modified by the District so long as a new form is submitted to the City prior to modification. Within 90 days of District formation, the District will record the approved Disclosure form with the El Paso County Clerk and Recorder against all property included in the District and a copy to the City Clerk's Office.

X. CONCLUSION

It is submitted that this Service Plan for the Districts, as required by Section 32-1-203(2), CRS, and Section 122-35 of the City Code, establishes that:

1. There is sufficient existing and projected need for organized service in the area to be serviced by the Districts;

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

3. The Districts are capable of providing economical and sufficient service to the area within its proposed boundaries; and

4. The area to be included in the Districts does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis.

5. Adequate service is not, and will not be, available to the area through the City or County or other existing municipal or quasimunicipal corporations, including existing special districts, within a reasonable time and on a comparable basis.

6. The facility and service standards of the District are compatible with the facility and service standards of the City within which the special district is to be located and each municipality which is an interested party under Section 32-1-204(1), CRS.

7. The proposal is in substantial compliance with a comprehensive plan adopted pursuant to the City Code.

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

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

EXHIBIT A

Legal Descriptions

EXHIBIT B

Colorado Springs Vicinity Map

EXHIBIT C-1

Initial District Boundary Map

EXHIBIT C-2

Inclusion Area Boundary Map

EXHIBIT D

Description of Permitted Services to be Provided by the Districts

Description of Services	IGA Required (Yes or No)

Exhibit E

NOTICE OF SPECIAL DISTRICT DISCLOSURE

(to be provided to every purchaser of real property within the boundaries of the District)

Name of District(s):	
Contact Information for District:	
Type of District(s): (i.e. if dual or three districts concept - insert language regarding limited rights of property owners)	
Identify District(s) Improvements Financed by Proposed Bonds (List by major categories, i.e. Roads – Powers Blvd):	
Identify Services/Facilities Operated/Maintained by District(s):	
Mill Levy Cap: (Describe Procedure for any Adjustments to Mill Levy Cap) ***(Note: This District may or may not be certifying a mill levy at the time of your purchase. Please verify by contacting the District.)***	
Authorized Debt of the District(s) per Operating or Service Plan:	
Voter Authorized Debt per Election:	
District Boundaries:	See attached map

Sample Calculation of Mill Levy Cap for a Residential Property	Sample Calculation of Mill Levy Cap for a Commercial, Office or Industrial Property
Assumptions: Market value is $250,000 Mill levy cap is 40 mills	**Assumptions:** Market value is $750,000 Mill levy cap is 60 mills
Calculation: $250,000 x .0796 = $19,900 (Assessed Valuation) $19,900 x .040 mills = **$796 per year in taxes owed solely to the Special District**	**Calculation:** $750,000 x .29 = $217,500 (Assessed Valuation) $217,500 x .060 mills = **$13,050 per year in taxes owed solely to the Special District**

Attachment 7

Summary of Metropolitan District Advantages and Disadvantages

Attachment 7

Summary of Metropolitan District Advantages and Disadvantages

The following tables generally summarize the comparative advantages and disadvantages associated with the use of metropolitan districts in the City of Colorado Springs, as these relate to different categories of impacted constituencies or parties. In all cases where the word "district" is used, it is intended to refer to "metropolitan district."

Residential Property Owner	
Advantages	**Disadvantages**
• Homeowners may have some opportunity for local control of the district, if services are provided and there is no master district • District residents may benefit from a higher standard of facilities and/or services than non-district residents • Owners may benefit from more effective enforcement of covenants by the district • Home buyers may benefit from lower initial housing costs (and correspondingly lower principal and interest mortgage payments), if it is assumed that a share of developer's savings from using districts is passed on to the home buyer • Similarly, owners may benefit from the lower tax-exempt interest rates associated with district bonds • Residential taxpayers often benefit from the federal and state income tax deductions associated with extra property taxes that will be paid	• Homeowners will have long term responsibility for a share of the cost of public infrastructure passed on to them as the end user • District residents will pay significantly higher property taxes over time compared with non-district residents • Homeowners typically have little representative control over the key financial decisions of districts, either because the commitments are predetermined or, in the case of master districts, they will have no opportunity to run for a seat on the controlling board • Ultimately, the homeowners will pay at least a share of the added overhead costs of administering proliferating districts

Commercial Property Owner	
Advantages	**Disadvantages**
• Commercial owners might benefit from the same local control as residents, and may have more opportunity for input as sophisticated investors • Commercial owners may also benefit from the higher facility standards that may be achieved with districts, and these benefits may translate into higher income potential • Commercial owners may benefit from initially lower property purchase costs, and therefore take advantage of the opportunity to shift some of their share of total property investment costs into the future • Similarly, owners may benefit from the lower tax-exempt interest rates associated with district bonds • Commercial taxpayers may benefit from federal and state income tax deductions associated with extra property taxes that will be paid	• Commercial property owners will have long term responsibility for a share of the cost of public infrastructure passed on to them as the end user • District commercial owners will pay significantly higher property taxes over time compared with non-district commercial properties • Due to the combined impact of the Gallagher Amendment and City-imposed mill levy caps, commercial property owners will pay substantially higher property taxes as a proportion of actual market value compared with residential properties • Ultimately, commercial property owners will pay at least a share of the added overhead costs of administering proliferating districts

Developer	
Advantages	**Disadvantages**
• Developers are able to shift a significant share of development-related public infrastructure costs to the future benefiting property owners • Developers have access to lower cost financing through tax-exempt bonds • Developers have flexibility in determining which costs are paid for by the districts and when to issue bonds, once revenues become available • Through the use of master or sequential districts, developers can manage the risk associated with obtaining district commitments for the latter phases of their projects • Access to district financing allows developers of City projects to financially compete with other developers outside of the City who often have the same benefit • Use of districts allows developers to afford a higher standard of infrastructure or services, resulting in a benefit to their projects	• With districts, developers often still need to pay for the significant share of public infrastructure costs that cannot be financed by the districts • Because of the revenue lag inherent in districts, the developer must still advance much of the front end costs of infrastructure in anticipation of being paid back as revenues become available • Developers must submit to the transparency and public accountability associated with districts as governmental entities • There is a potential for conflict between the role of developers in advancing their financial interests in a project and their role as district board members in advancing the best interests of the district • Use of districts may necessitate a longer-than-preferred commitment for developers or their successors to remain involved with a project

City	
Advantages	**Disadvantages**
• By putting the City on a "level playing field" with other jurisdictions that liberally allow districts, the City is in a better position to compete for desirable land uses • Access to and use of districts can be an important economic development tool • Use of districts allows the City to respond to TABOR restrictions by effectively allowing the shifting of more public infrastructure away from general City tax and ratepayers • Similarly, the availability of districts allows the City to effectively ask for a higher standard of facilities and service participation through the annexation negotiation and other processes • Districts can provide a mechanism to effectively allocate regional project costs among different developments, to the ultimate benefit of the City	• The proliferation of districts with high mill levies and internally funded facilities and services may result in an aversion among these residents to vote for City-initiated or other more general tax questions • The proliferation of districts is slowly eroding the specific ownership and sales tax base of the City • There are some ongoing City costs and other potential complications associated with multiple districts and their boundaries • Although the City is legally protected from the direct impacts of potential district financial problems and district-related complaints, there may be indirect consequences associated with any constituent dissatisfaction with districts • The City's bond rating could potentially be impacted by overlapping district debt • District-owned property is exempt from City property tax

State, Federal and General Governmental Policy	
Advantages	**Disadvantages**
• There may be a larger policy benefit in effectively allowing for a higher level of investment in community infrastructure and service through the use of districts • There may be a larger policy benefit associated with the effective shifting of more responsibility for public infrastructure to the ultimate beneficiaries, who are the property owners • The use of districts can further the concept of local control of government, either for the benefit of developers or for eventual property owners, or for both	• Because districts are governments, their proliferation effectively expands the reach and role of government, and may contribute to a "balkanization" of public functions and finances • The tax-exempt status of districts themselves and the interest paid on district bonds result in a very large amount of foregone tax revenue to the State of Colorado and the federal government, mostly in the form of reduced income taxes • Master districts, in particular, result in a weak manifestation of representative local government

Prepared by the City of Colorado Springs Comprehensive Planning Division; last revised January 30, 2009

Attachment 8

Specific Ownership Tax Distribution for 2008

SPECIFIC OWNERSHIP TAX COLLECTED IN 2008

	Amount Coll.		%	
EL PASO COUNTY				
COUNTY GENERAL	756,042.53		1.5190%	
ROAD & BRIDGE			0.0000%	
PUBLIC WELFARE			0.0000%	
CAPITAL EXPENDITURE			0.0000%	
RETIREMENT			0.0000%	
FLEET SERVICES	4,796,316.00		9.6362%	
Grand total County		**5,552,358.53**		**11.1551%**
LIBRARY GENERAL	2,325,426.25		4.6720%	
Total Library		**2,325,426.25**		**4.6720%**
SD 1 GEN	63,112.84		0.1268%	
SD 1 BOND	15,112.81		0.0304%	
SD 2 GEN	1,279,270.27		2.5702%	
SD 2 BOND	806,560.98		1.6204%	
SD 3 LEVY OVERIDE	654,733.91		1.3154%	
SD 3 GEN	723,022.38		1.4526%	
SD 3 BOND	230,650.15		0.4634%	
SD 3 SECURITY LIBRARY	65,010.38		0.1306%	
SD 3 COMMUNITY CTR	171,537.79		0.3446%	
SD 2 LEVY OVERRIDE	421,793.28		0.8474%	
SD 8 GEN	336,753.83		0.6766%	
SD 11 GEN	6,994,407.90		14.0523%	
SD 11 BOND	2,538,916.75		5.1009%	
SC 11 EDUC ADD LEVY	3,081,067.87		6.1901%	
SD 12 GEN	1,481,871.47		2.9772%	
SD 12 BOND	386,324.65		0.7762%	
SD 14 GEN	280,279.90		0.5631%	
SD 14 BOND	93,079.92		0.1870%	
SD 14 ADD LEVY	216,338.01		0.4346%	
SD 20 GEN	3,956,901.86		7.9497%	
SD 20 BOND	3,378,996.31		6.7887%	
SD 20 LEVY OVERRIDE	1,451,768.78		2.9167%	
SD 22 GEN	92,050.13		0.1849%	
SD 22 BOND	67,726.51		0.1361%	
SD 23 GEN	93,577.57		0.1880%	
SD 23 BOND	58,906.99		0.1183%	
SD 28 GEN	45,219.91		0.0909%	
SD 28 BOND	91,061.15		0.1829%	
SD 38 GEN	1,139,811.96		2.2900%	
SD 38 BOND	838,673.10		1.6850%	
SD ADD LEVY	455,463.45		0.9151%	

SD 39 GEN	13,027.66		0.0262%	
SD 39 BOND	9,539.70		0.0192%	
SD 39 LEVY OVERRIDE	1,738.95		0.0035%	
SD 49 GEN	1,749,619.97		3.5151%	
SD 49 BOND	791,540.09		1.5903%	
SD 49 OVERRIDE	691,856.32		1.3900%	
SD 54 GEN	9,315.72		0.0187%	
SD 60 GEN	34,227.78		0.0688%	
SD 60 BOND	25,200.10		0.0506%	
SD 100 GEN	10,324.74		0.0207%	
SD 100 BOND	0.00			
Total Schools		**34,846,393.84**		**70.0092%**
CITY- COLO SPRINGS	2,667,305.99		5.3588%	
CITY- MANITOU SPRINGS	105,347.58		0.2117%	
TOWN- GREEN MT. FALLS	14,712.97		0.0296%	
TOWN- CALHAN	10,665.22		0.0214%	
CITY- FOUNTAIN	184,958.96		0.3716%	
TOWN- PALMER LAKE	49,882.12		0.1002%	
TOWN- MONUMENT	68,282.23		0.1372%	
TOWN- RAMAH	985.28		0.0020%	
Total Cities & Towns		**3,102,140.35**		**6.2324%**
ALLISON VALLEY METRO DIST #2	215.53		0.0004%	
BRADLEY RANCH METRO	133.15		0.0003%	
COLLEGE CREEK METRO	7,022.81		0.0141%	
COLO CROSSING METRO #2	1,347.42		0.0027%	
COLO CROSSING METRO #2	3,350.42		0.0067%	
COUNTRYSIDE SOUTH METRO	102.14		0.0002%	
CRESENT CANYON METRO	107.42		0.0002%	
LORSON RANCH METRO #2	686.20		0.0014%	
LORSON RANCH METRO #3	1.65		0.0000%	
LORSON RANCH METRO #4	1.66		0.0000%	
LORSON RANCH METRO #5	0.68		0.0000%	
LORSON RANCH METRO #6	2.23		0.0000%	
LORSON RANCH METRO #7	63.31		0.0001%	
4-WAY RANCH METRO	5,001.81		0.0100%	
BANNING LEWIS RANCH MET #2	7,093.08		0.0143%	
BANNING LEWIS RANCH MET #6	0.98		0.0000%	
COLORADO CENTRE METRO	42,970.05		0.0863%	
CONSTITUTION HTS METRO	6,147.27		0.0124%	
MESA RIDGE METRO #2	834.34		0.0017%	
LOWELL METRO	26,329.64		0.0529%	
CASCADE METRO #2	343.13		0.0007%	
CATHEDRAL PINES METRO	44,566.55		0.0895%	
MISTY ACRES METRO	3,548.04		0.0071%	
MOUNTAIN VISTA METRO	8.79		0.0000%	
PINON PINES METRO DIST #1	591.02		0.0012%	
PINON PINES METRO DIST #2	1,842.67		0.0037%	
PINON PINES METRO DIST #3	1,343.74		0.0027%	
SANTA FE SPRINGS METRO #2	88.91		0.0002%	
SANTA FE SPRINGS METRO #3	9.90		0.0000%	
TRIVIEW METRO	195,327.38		0.3924%	
TRIVIEW METRO #2	785.15		0.0016%	
TRIVIEW METRO #3	48.53		0.0001%	
GLEN METRO DIST #1	13,082.00		0.0263%	

GLEN METRO DIST #2	398.83		0.0008%	
GLEN METRO DIST #3	339.46		0.0007%	
GOLD HILLS MESA METRO #2	6,329.52		0.0127%	
GOLD HILLS MESA METRO #3	606.96		0.0012%	
WOODMEN HTS METRO #2	25,648.03		0.0515%	
WOODMEN HTS METRO #3	8,991.27		0.0181%	
FLYING HORSE RANCH MET #2	63,542.72		0.1277%	
FLYING HORSE RANCH MET #3	20,578.68		0.0413%	
CS PAINT BRUSH	41,304.08		0.0830%	
CENTRAL MARSHEFFEL METRO	92,282.29		0.1854%	
FALCON HIGHLANDS METRO	30,576.00		0.0614%	
UPPER COTTONWOOD CRK #1	45,570.13		0.0916%	
UPPER COTTONWOOD CRK #2	3,157.50		0.0063%	
UPPER COTTONWOOD CRK #3	7.81		0.0000%	
UPPER COTTONWOOD CRK #4	8.30		0.0000%	
UPPER COTTONWOOD CRK #5	726.67		0.0015%	
VENTANA METRO	114.61		0.0002%	
VILLAGE CENTER METRO	15,118.21		0.0304%	
MANITOU SPGS METRO	1,618.84		0.0033%	
STETSON RIDGE METRO #2	63,521.43		0.1276%	
STETSON RIDGE METRO #3	3,163.03		0.0064%	
CROSS CREEK METRO	31,549.14		0.0634%	
WATERVIEW METRO #1	729.12		0.0015%	
WOODMEN RD METRO	81,519.69		0.1638%	
FOUNTAIN MUTUAL METRO	17,387.90		0.0349%	
BOBCAT MEADOWS METRO	3,416.55		0.0069%	
CRYSTAL PARK METRO	2,800.12		0.0056%	
CUMBERLAND GREEN METRO	9,502.16		0.0191%	
ELDORADO VILLAGE METRO	235.06		0.0005%	
MERIDIAN RANCH METRO	71,882.59		0.1444%	
MERIDIAN SVC METRO	76.84		0.0002%	
Total Metropolitan Districts		**993,422.25**		**2.0205%**
BRIARGATE CENTER BID	27,710.90		0.0557%	
POWERS & WOODMEN COMM BID	301.15		0.0006%	
BARNES & POWERS NORTH BID	32,135.02		0.0646%	
BARNES & POWERS SOUTH BID	1,552.24		0.0031%	
CS DOWNTOWN DEV AUTH(DDA)	84,407.62		0.1696%	
FIRST & MAIN BID	1,407.34		0.0028%	
FIRST & MAIN NORTH BID	20,645.10		0.0415%	
NORWOOD SI	65,739.53		0.1321%	
OLD COLO CITY	10,354.05		0.0208%	
BRIARGATE SID	89,443.80		0.1797%	
CS COTTONWOOD GID	87,218.87		0.1752%	
MARKETPLACE @ AUSTIN BLF GID	2,873.78		0.0058%	
COLO AVE GATEWAY	329.36		0.0007%	
CS SPRING CREEK GID	31,137.79		0.0626%	
STETSON HILLS	27,808.65		0.0559%	
WOODSTONE I	1,836.49		0.0037%	
HERITAGE SID	7,396.16		0.0149%	
GREATER DOWNTOWN BUS DS	57,732.28		0.1160%	
INTERQUEST NORTH BID	251.46		0.0005%	
INTERQUEST SOUTH BID	196.09		0.0004%	
BRIARGATE GENERAL IMP DS	40,402.25		0.0812%	
Total Special Districts		**590,879.93**		**1.1871%**
FOUNTAIN SANITATION	61,628.73		0.1238%	
SECURITY SANITATION	11,488.97		0.0231%	
STRATMOOR HILLS SANITATION	2,702.47		0.0054%	
Total Sanitation Districts		**75,820.17**		**0.1523%**

CHEYENNE CRK PARK WATER	647.38		0.0013%	
FOREST VIEW WATER	5,993.66		0.0120%	
SECURITY WATER	75,473.84		0.1516%	
STRATMOOR HILLS WATER	10,212.81		0.0205%	
PARK FOREST WATER	14,351.96		0.0288%	
RED ROCK WATER	3,147.71		0.0063%	
UPPER BIG SANDY WATER	766.19		0.0015%	
UPPER BLACK SQUIRREL WTR	18,369.26		0.0369%	
TURKEY CANON WATER	2,052.63		0.0041%	
SOUTHEAST WATER	537,695.43		1.0803%	
Total Water Districts		**668,710.87**		**1.3435%**
WESTMOOR WTR & SAN	153.60		0.0003%	
WOODMOOR WTR & SAN	87,607.90		0.1760%	
GARDEN VALLEY WTR & SAN	1,951.27		0.0039%	
DONALA WTR & SANITATION	135,085.25		0.2714%	
DONALA WTR & SAN AREA B	255.12		0.0005%	
ACADEMY WTR & SANITATION	20,601.76		0.0414%	
Total Water & Sanitation Dist.		**245,654.90**		**0.4935%**
CALHAN FIRE	15,405.00		0.0309%	
ELLICOTT FIRE	13,133.51		0.0264%	
BROADMOOR FIRE	66,132.50		0.1329%	
EDISON FIRE	1,455.33		0.0029%	
ELBERT FIRE	2,691.30		0.0054%	
SECURITY FIRE	135,051.43		0.2713%	
BLACK FOREST FIRE	93,121.70		0.1871%	
BLACK FOREST FIRE (OPS)	3,774.37		0.0076%	
GRN MTN FALLS FIRE	16,268.79		0.0327%	
CASCADE FIRE	7,610.07		0.0153%	
CIMMARRON HILLS FIRE	162,847.60		0.3272%	
STRATMOOR HILLS FIRE	60,326.00		0.1212%	
D WESCOTT FIRE	187,843.41		0.3774%	
TRI-LAKES FIRE	341,523.96		0.6861%	
FALCON FIRE	174,990.24		0.3516%	
PEYTON FIRE	23,583.56		0.0474%	
TRI- COUNTY FIRE	4,315.14		0.0087%	
WOODMEN VALLEY FIRE	11,611.62		0.0233%	
HANOVER FIRE	25,593.44		0.0514%	
SW HWY 115 FIRE	10,401.10		0.0209%	
BIG SANDY FIRE	3,248.61		0.0065%	
Total Fire Districts		**1,357,680.07**		**2.7342%**
TOTAL	**49,774,014.66**		**100.0000%**	**100.0000%**

Attachment 9

Sherman and Howard Key to Colorado Districts

CHOICE OF ENTITY - COLORADO DISTRICTS

		Formed By		Election		Types of Revenues (1)							Permitted Activities / Powers			
Type of District	Statute	City/ Town	County	Needed to Form	Control	Property Tax	Assess-ments	User Fees	Sales Tax	TIF (2)	Separate Entity (3)	Types of Improve-ments	Construc-tion	Opera-tions	Eminent Domain	Electors
Special District	32-1-1001	X	X	X	A	X		X			X	E	X	X	X	K
General Improvement District	31-25-601	X			B	X	X	X			X	F	X	X	X	L
Public Improvement District	30-20-501		X		B	X	X	X			X	F	X	X	X	L
Special Improvement District	31-25-501	X			B		X					G	X			L
Local Improvement District	30-20-601		X		B		X		X			G	X			L
Business Improvement District	31-25-1201	X			C	X	X	X			X	H	X	X		M
Downtown Development Auth.	31-25-801	X		X	D	X (4)				X		I	X	X		N
Urban Renewal Authority	31-25-101	X			D					X	X	J	X		X	O

Control Key:

A = Independently controlled by its own board of directors, who are elected by the residents and property owners in the district.

B = Controlled by the city, town or county which created the district.

C = Control of the board of directors depends upon how the district is formed. Four possible structures exist. Regardless of board structure, however, BID's are subject to annual control by the city or town because the city or town must approve the BID's operating plan and budget each year.

D = Control of the board of directors depends upon how the district is formed. For DDA's, the board must have at least one city or town council member on it. The remaining members may be council members or must be property owners, residents or officers or directors of businesses within the DDA. For URA's, the city or town council may designate itself as the board, or may appoint anyone else and may have only one council member on the board.

Types of Improvements Key:

E = Fire protection, mosquito control, parks and recreation, safety protection, sanitation, streets, television relay, transportation, water and solid waste disposal.

F = Any improvements or services which the county, city or town creating them is authorized to provide.

G = Improvements which confer special benefits on the surrounding property (streets, water, sewer).

H = Broad range of improvements including streets, drainage, statues, fountains, signs, benches, information booths, and public meeting facilities.

I = Completion of a development project to improve a downtown area.

J = Acquisition of slums, demolition of buildings, construction of streets, acquisition of property to improve health, lessen density, etc.

Electors Key:

K = A person who is a registered voter who (a) has been a resident for at least 30 days, (b) owns (or whose spouse owns) taxable property in the district, or (c) is obligated to pay property taxes under a contract to purchase taxable property in the district.

L = A person who is a registered voter and who (i) has been a resident for at least 30 days or (b) owns (or whose spouse owns) taxable property in the district. Registered electors who live within the entire town, city or county, or only those electors who live within the district.

M = U.S. citizen who lives in the BID, owns or leases taxable property in the BID, or is designated by a property owner who is not a natural person.

N = A resident, a landowner, or a lessee. Any landowner or lessee which is not a natural person may vote only if it designates by some official action a representative thereof to cast its ballot. No qualified elector is allowed to cast more than one vote, even though any person qualified or lawfully designated may be entitled to cast the vote of more than one qualified elector.

O = Registered electors that reside within, and are eligible to vote within, the boundaries of the URA (which are coterminous with the boundaries of the city or town which formed the URA).

Notes:

(1) Property taxes are deductible from gross income of the payor; the payment of assessments, sales taxes or user fees are not deductible by the payor.

(2) Tax increment financing. Both incremental sales taxes and incremental property taxes are available to be pledged to the payment of bonds.

(3) SID's and LID's are not separate political subdivisions; rather, they are merely geographic areas within the city, town or county.

(4) Up to five mills for operational expenses.

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