

**SERVICE PLAN**  
**FOR**  
**FALCON HIGHLANDS**  
**METROPOLITAN DISTRICT**

Prepared by:

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April 23, 2002

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**SUMMARY**

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

Proposed District: Falcon Highlands Metropolitan District.  
(the "District")

Property Owner: Cygnet Land, LLC, and Realty Development Services, LLC.

Development: Residential and commercial project on approximately 813 acres of real property located south of Falcon, Colorado in El Paso County, Colorado.

Proposed Improvements: Water, wastewater, street improvements and safety protection, park and recreation, drainage, landscaping, mosquito control, transportation, and television relay.

Infrastructure  
Capital Costs: \$6,813,224

Debt Authorization: \$25,000,000 authorized with two issues anticipated (\$3,930,000 Series 2003, and \$4,085,000 Series 2006) Limited Tax General Obligation Bonds

Proposed Mill Levy: 25 Mills

Proposed M/L Cap 35 Mills

Functions of the Owner/Developer: The Owner/Developer will initially provide the necessary credit enhancements for financing of all infrastructure capital costs and will meet the obligations of any operating and debt service deficits. The Owner/Developer will fund all

organizational costs of the District subject to reimbursement as provided by law.

Functions of the Districts:

The District will see that all infrastructure is designed and constructed to appropriate local and state standards and will maintain the same. The roads and related drainage structures will be conveyed to the County.

Falcon Highlands Metropolitan District shall provide financing for public facilities, services, and programs benefiting the future residents and landowners of the community.

Material Modifications:

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

Current Population:

0

Current Valuation  
for Assessment:

\$6,090.00

**A. INTRODUCTION**

Necessary public facilities, services, and programs will be provided to the 813 acre Falcon Highlands development by a metropolitan district which will be created pursuant to Title 32, Colorado Revised Statutes. The district will be named Falcon Highlands Metropolitan District ("Falcon Highlands"). The initial development will consist of the 456 acre and 173 acre parcel as shown on Exhibit 1. The 184 acre parcel will be developed at a later date. Therefore this Service Plan will only deal with the first 2 parcels.

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

Falcon Highlands will also be included into the Woodmen Road Metropolitan District in order to meet its fair share contribution to the Woodmen Road improvements.

An intergovernmental agreement (Exhibit 9) will be entered into with the Woodmen Hills Metropolitan District which will operate and manage the water and wastewater systems of Falcon Highlands.

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

WATER - Design, construction, operation and maintenance of a complete potable water supply system, including, but not limited to, storage, transmission, and wells, production and treatment facilities, distribution system, consisting of, but not limited to, transmission lines, distribution mains, laterals, storage facilities, pumping facilities, and easements and appurtenant facilities.

WASTEWATER - Design, construction, operation and maintenance of a complete sanitary sewage and storm drainage collection,

transmission and treatment system, consisting of, but not limited to, collection mains, laterals, transmission lines, and pumping facilities in order to carry effluent to the Paint Brush Hills Metropolitan District for treatment and discharge pursuant to the intergovernmental agreement with Woodmen Hills Metropolitan District.

STREET IMPROVEMENTS AND SAFETY PROTECTION - Design and construction of arterial and collector street improvements and related safety protection devices including, but not limited to, bridges, fencing, trails, lighting, landscaping, traffic and safety controls and devices. Streets are to be dedicated to the County for permanent maintenance. Any street related medians and landscaping will be maintained by the District. In order to meet its obligations pursuant to the Small Area Traffic Study for the Falcon Area, Falcon Highlands will be utilized to design, construct, and finance a portion of Meridian Road.

PARK AND RECREATION - Design, construction, operation and maintenance of park and recreational facilities, including open space, trails, fencing, and landscaping.

MOSQUITO CONTROL - Provide for the eradication and control of mosquitoes, including but not limited to elimination or treatment of breeding grounds and purchase, lease, contracting or other use of equipment or supplies for mosquito control.

TELEVISION RELAY AND TRANSLATION - Provide for the design, acquisition, construction, completion, installation, operation and maintenance of television relay and translation facilities, cable and communication facilities, fiber optic conduit network, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities.

Transportation - Design, acquire, construct, install, and/or operate and maintain transportation system improvements, including transportation equipment, park and ride facilities and public parking lots, structures, roofs, covers and facilities, together with all necessary incidental and appurtenant facilities, land and easements together with extensions of and improvements to said facilities within and without the boundaries of the District; provided however,

that the design, acquisition, construction, installation, and/or operation and maintenance of public transportation improvements shall, where applicable, be subject to entry into authorizing contracts pursuant to the provisions of Part 2, Article 1 of Title 29, Colorado Revised Statutes.

Drainage - Design and construct all necessary drainage facilities including detention ponds, culverts, pipes, channels, swales, and weirs in accordance with an approved regional drainage plan and in conjunction with adjoining drainage features in Woodmen Hills Metropolitan District.

Other Powers - In addition to the above-enumerated powers, the District shall have the authority (1) to amend this Service Plan as needed, with the approval of El Paso County, subject to appropriate statutory procedures; (2) without amending this Service Plan, to defer, forego, reschedule or restructure the financing and construction of certain improvements and facilities, to better accommodate the pace of growth, resources availability, and potential inclusions of property within the District with the County being notified if any of these actions take place; and, (3) to provide such additional services and exercise such powers as are expressly or impliedly granted by Colorado law.

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

(1) A map of the proposed District and a legal description of its boundaries are found at Exhibits 1 and 2.

(2) The creation of the District will be in the best interests of the property proposed to be served. The District will have the flexibility and statutory powers to provide long-term services to the residents within its boundaries. New Districts have numerous advantages over other vehicles which could be utilized to supply services to this area.

While a Homeowners Association might be set up to provide these services by way of covenants imposed on the real property, an Association may lack both the financing ability, the flexibility and the longevity that would be provided by the Districts.

Additionally, an Association would not possess certain of the statutory powers that are allowed to the Districts.

The Owners have also explored the possibility of annexation into either Paint Brush Hills Metropolitan District or the Woodmen Hills Metropolitan District. While there will be an Intergovernmental Agreement with Woodmen Hills concerning water and wastewater services, that particular district does not operate with a mill levy which is a key financing provision for Falcon Highlands. Paint Brush Hills Metropolitan District has existing mill levy debt.

Woodmen Hills has a totally different concept with regard to financing of municipal infrastructure that would not be viable for the development. Woodmen Hills is a "no-debt" district which operates upon monthly fees. The proposed Falcon Highlands Metropolitan District intends to take full advantage of the use of tax exempt municipal financing in order to reduce the overall development costs and hence, also provide for affordable housing to the future residents. Further, Woodmen Hills would be interested in financing the capital infrastructure needed to develop this District.

(3) Adequate municipal services for the development is not expected to be made available through any other county, municipality or quasi-municipal corporation.

(4) Insofar as the development consists of proposed municipal-type residential and commercial densities within its boundaries, there should be an entity separate from the developer to provide services on a long-term basis. A publicly controlled district with an elected board of directors, versus a Homeowners Association or any private Utility Company, would be the most capable of providing these municipal services.

(5) Although there is municipal debt to be authorized, the Owner will supply the credit enhancements needed for the initial debt. Limited tax general obligation debt will be issued as is justified by the assessed valuation. In addition there will be a mill levy cap not to exceed 35 mills.

The market analysis shows several scenarios of proposed build-out that are conservative and demonstrate that taking into account the fees and charges for municipal services together with the



overlapping mill levy from other governmental entities, that Falcon Highlands will be competitive in the market place. A Market Plan with Build-Out Projections is included at Exhibit 4. This Market Analysis shows both the likely scenario for build-out and also the "worst case" scenario.

(6) The proposed District is in compliance with the approved Sketch Plan, which was adopted by the Board of County Commissioners in December 1999. This project received Preliminary Plan and Zoning approval on August 9, 2001.

## B. DEVELOPMENT ANALYSIS

1. Attached as Exhibit 3 is an analysis of the Infrastructure Capital Costs for the water system, the wastewater system, the street improvements, parks and recreation, drainage, and engineering and surveying for the public improvements. The District will only do those public improvements that will benefit the residents of the entire district; i.e. water wells, chlorination, wastewater treatment system, arterial and collector streets, offsite roads, main distribution lines for water and wastewater, parks, drainage, engineering, etc. Exhibit 3 is a summary of the anticipated costs and a complete breakdown of the unit and annual costs is available. It is estimated that the total infrastructure for the entire District will take five (5) years to construct. Exhibit 3 gives a breakdown of the amount to be spent on each year over the five year period for each of the categories listed.

The properties to be initially included within the District are not subject to any debt and are owned free and clear by the Owner.

2. At complete build-out of the two initial parcels, the District is planned to consist of 713 single family units, 50 acres of commercial and light industrial property, 7 acres of office space, a 16 acre elementary school site, 42 acres of open space and 10 acres of public trails.

(a) Attached as Exhibit 4 is a substantive Market Analysis of this project. This Analysis is conservative in nature and assumes 221 single family units and 83,000 square feet of

shopping center space being constructed between 2004 to 2008. The Market Analysis depicts the likely build-out scenario through 2018. There is also a "worst case scenario" for the same period of time.

The Financial Plan Analysis (Exhibit 5) does not depend upon the build out scenarios set forth in the Market Analysis because of the developer guaranties and credit enhancements.

(b) The Market Analysis emphasizes the absorption rate of the Districts.

(c) The absorption and market share of development to be captured by the District represents approximately 8% of the new growth projected for the Falcon area. The Market Analysis has taken into account the impacts of competitive developments that are located in this part of El Paso County or may be proposed in the near future.

(d) Because of the use of the limited mill levy and the fact that the Owner will guaranty the payment of the initial bonds, there will be no financial threat to the homeowners.

(e) This project has already received Sketch Plan, Preliminary Plan and Zoning approvals by the El Paso County Board of County Commissioners.

### C. FINANCIAL PLAN ANALYSIS

The Owner will supply the credit enhancements needed for the initial debt to be issued by the District. Limited tax general obligation debt will be issued by Falcon Highlands as is justified by the assessed valuation. In addition there will be a mill levy cap of 35 mills which will insure future residents that property taxes will not become excessive even if development plans are not met. The 35 mill cap will not only be set forth in this Service Plan, but will also be described in the debt issues which will be a part of the ballot for the organizational election.

1. Attached as Exhibit 5 is a Financial Plan projecting finances over the next forty (40) year period of time. This Plan shows the number of units projected to come on line each year and then depicts the income to be derived from improvement fees and the mill levy all on an annual basis. The Plan also estimates the annual operating costs.

It is proposed that Falcon Highlands will be authorized to issue indebtedness up to \$25,000,000 (limited tax general obligation bonds, 2002 equivalency). The mill levy will be capped at 35 mills although it is anticipated that any debt will be satisfied with a mill levy of 20 mills per year. A mill levy of 5 mills for operations will also be authorized and included in the 35 mills cap. It is anticipated that two bond issues will be required to complete all infrastructure in a five year period of time. There is planned to be \$3,930,000 Series 2003, and \$4,085,000 Series 2006.

There are no land acquisition costs reflected in this project as all land is owned free and clear and the Owner will give land or interests in land, as reasonably needed and mutually agreed, to the districts without charge. The Infrastructure Capital Costs (Exhibit 3) depicts the estimated costs of infrastructure capital costs, including engineering, for the District and do not include the infrastructure capital costs normally paid by the developers or builders.

(a) Falcon Highlands will issue limited tax general obligation bonds necessary for the initial improvements. The exact interest rates, discounts, and their form will be determined at the time of issuance and will reflect market conditions at the time. The primary source of revenues will be mill levies, tap fees and monthly user charges. The bonds will be credit enhanced by the Owner as needed.

(b) Any debt that is issued will be in compliance with CRS 32-1-1101(6)(a) in that the debt will not exceed the greater of two million dollars or 50% of the assessed valuation of the District, unless the debt falls within the category of one of the statutory exceptions; i.e. rated, secured, insured, etc. Falcon Highlands will levy its limited capped mill levy (or fewer mills if possible) and pay the resulting revenues toward the bonded indebtedness.

(c) The Infrastructure Capital Costs (Exhibit 3) consist of a breakdown of all development costs contemplated which are identified by type of service and further identified by the year in which the installations will occur.

(d) As property is platted, the Owner/Developer will assign and transfer the necessary ground water and other raw water

rights at no cost necessary to serve the platted parcels.

(e) All major infrastructure capital improvements together with the necessary easements will be assigned and deeded to the District.

(f) Exhibit 6 demonstrates the ability of the Owner to meet the obligations of credit enhancement necessary for the initial bonds.

(g) As reflected in the Marketing Plan (Exhibit 4), this District should be capable of providing economical service within the boundaries.

(h) If development does not occur as projected then there will be a delay in the addition of infrastructure and the incurring of additional debt.

(i) It is anticipated that in the formative years the District will have shortfalls in being able to meet its monthly operations and maintenance expenses. The Owner is prepared to assume these obligations for the development of the initially included property within the Districts subject to the Owner being repaid from revenues.

(j) All taxes have been paid and are current. See Exhibit 7.

(k) It is not anticipated that there would be any financial difficulties that could affect the performance of the proposed District under this Service Plan due to the fact that there is a cap on the mill levy.

(l) It is anticipated that all improvements will be constructed to the standards imposed by El Paso County, its Department of Public Works, and the State Health Department.

(m) In addition to property taxes, the District may also rely upon other revenue sources authorized by law and this Service Plan to offset the expenses of capital construction and District management, operations and maintenance. These will include the power to assess fees, rates, tolls, penalties, and charges as provided in Title 32, CRS, as amended.

**D. INFRASTRUCTURE ANALYSIS**

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

**ARTERIAL AND COLLECTOR STREET IMPROVEMENTS & SAFETY PROTECTION**

Falcon Highlands intends to provide for the acquisition, construction, completion, installation and/or operation and maintenance of street improvements, both on-site and off-site, including curbs, gutters, sidewalks, bridges, overpasses, bike paths and pedestrian ways, irrigation, landscape, streetscape and entryways, parking lots and structures, and a system of traffic and safety controls and devices on streets and highways, including signalization; together with all necessary, incidental, and appurtenant facilities, right-of-ways, land and easements, together with extensions of and improvements to said facilities within and without the boundaries of Falcon Highlands. The District will only provide for the arterial and collector roads and streets that serve the entire development.

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

The District recognizes that it may be required to make a fair contribution to offsite road improvements needed for Woodmen Road and this will be done by including Falcon Highlands into the Woodmen Road Metropolitan District.

**DRAINAGE**

All storm sewers and facilities will be constructed in accordance with the standards and specifications of the Colorado Department of Highways, the County of El Paso, and any other local jurisdiction as appropriate. Again, the drainage improvements would be phased along with other

capital construction improvements; however, if drainage improvements are required to be up-fronted or constructed in advance of a normal schedule, the Owner will be entitled to reimbursement. The drainage improvements would consist of detention/retention ponds, roadway swales and piping. Drainage improvements that are an integral part of the street and roadway system will be maintained by El Paso County along with routine street maintenance. Detention ponds will be maintained by the District. All drainage structures and facilities will be coordinated with the Woodmen Hills Metropolitan District and the regional drainage plan of El Paso County.

#### WATER DISTRIBUTION AND STORAGE

The water distribution and storage system will consist of, but not be limited to, pipes, fire hydrants, storage facilities, pumping stations, controls, deep well construction, wells, treatment systems, turbine pumps and related equipment. The water system will be coordinated with the Falcon Fire District in order to meet their requirements with regard to fire flows. Water quality will meet all standards as set by the State Department of Health or other applicable laws and regulations. The water system shall comply with all federal, state, and county requirements, including any requirements shown on approved plats. The District will adopt industrial pre-treatment water quality standards which will be enforced by ordinance by the District.

The Water System will be designed and constructed in accordance with the quality and standards utilized by Woodmen Hills Metropolitan District.

Water will be available for use within the proposed District from ground water municipal wells and other sources. Title to the well permits and concomitant water rights are currently held by the Owners. Water rights, sufficient for each plat, will be assigned and transferred to the District as each plat is recorded. Attached as Exhibit 8 is the Ground Water Report.

The total water distribution and storage system will again be phased along with other capital improvements. See Exhibit 3.

### SANITARY SEWER SYSTEM

The wastewater treatment and/or collection facilities will be designed, constructed and maintained in accordance with the standards of the Colorado Department of Health and the County of El Paso, and any other state or federal rules and regulations. The sanitary sewer system would consist of a complete collection system with forced main sewage lift stations to deliver sewage to the Paintbrush Hills Metropolitan District.

### PARK AND RECREATION

Park and recreation facilities of the District would consist of undisturbed open space, improved park areas, recreation centers, and trails. These improvements would be phased along with the rest of the development and will be paid for by the Owner. See Exhibit 3. Treated wastewater eventually may be utilized for irrigation of parks and open space. Mosquito control as required will also be provided.

### TELEVISION RELAY AND TRANSLATION/CABLE TELEVISION

The Service District may design, acquire, construct, complete, install, operate and maintain television relay and translation facilities, cable and communication facilities, fiber optic conduit network, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities.

Exhibit 3 does not detail the Capital Infrastructure Costs for the installation of cable t.v. as it is presently unknown whether the cable t.v. operation will be retained and owned by the District or whether services will be provided by an outside entity.

### OPERATION, MAINTENANCE AND ADMINISTRATION

The proposed District would operate and maintain all major public facilities. It is planned that the wastewater treatment facilities will be operated in cooperation with Paintbrush Hills Metropolitan District. Estimated cost for such operations, maintenance and administration are shown in

the Financial Plan at Exhibit 5 and do not include those costs associated with the marketing and development which are not the responsibility of the District. In the formative years, it is anticipated that the user charges will be inadequate to meet the expenses of operation, maintenance and administration, in which case the same shall be funded by the Owner subject to reimbursement.

Falcon Highlands will cause improvements to be designed and constructed according to County and other local and state specifications.

#### OWNER RESPONSIBILITIES

The Owners, and through their development companies have assumed the responsibility of providing the necessary credit enhancements to support the issuance of the initial bonds. In addition, the owner shall provide a mechanism to meet any financial shortfalls in District operations.

#### **E. INTERGOVERNMENTAL AGREEMENTS**

Exhibit 9 sets forth a draft of a proposed intergovernmental agreement ("IGA") to be entered into between Falcon Highlands and the Woodmen Hills Metropolitan District.

#### **F. MISCELLANEOUS**

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

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

(b) The Owner intends to meet all requirements of the El Paso County Land Development Code as may be required.

(c) As a water provider, a Ground Water Investigative Report is attached as Exhibit 8.

(d) This project is in compliance with the duly adapted County, Regional and State Long-Range Water Quality Management Plan insofar as the Paintbrush Hills Metropolitan District has been designated as a regional facility.



(e) The Paintbrush Hills Metropolitan Facility is already permitted by the State of Colorado and the proposed District will meet all requirements of said permit.

(h) At this time there are no plans to exercise the power of eminent domain within or without the District's boundaries; however, the power shall be available for use by the District as allowed by law.

**G. COMPLIANCE**

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

1. An annual report will be required and submitted as described in C.R.S. 32-1-207(3)(d);

2. The District may be dissolved in accordance with statutory procedures in the event development activity permanently ceases and the District is failing to provide any services; and

3. Should material modifications occur as described in C.R.S. 32-1-207(2), the District shall apply for approval of such modifications to the Board of County Commissioners.

**H. CONCLUSION**

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

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

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

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

- (c) The proposed District is capable of providing economical and sufficient service to the Development;
- (d) The area to be included in the proposed District does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis;
- (e) Adequate service is not, and will not be, available to the area through the County or other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a comparable basis;
- (f) The facility and service standards of the proposed District are compatible with the facility and service standards of the County within which the proposed special district is to be located and each municipality which is an interested party under Section 32-1-204(I), Colorado Revised Statutes;
- (g) The proposal is in substantial compliance with a master plan adopted pursuant to Section 30-28-106, CRS; and,
- (h) The proposal is in compliance with any duly adopted County, regional, or state long-range water quality management plan for the area; and,
- (i) The creation of the proposed District is in the best interests of the area proposed to be served.