

**HIGHLANDS RANCH
METROPOLITAN DISTRICT
SERVICE PLAN**

February 13, 2006



**Service Plan for
Highlands Ranch Metropolitan District**



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Section I
Introduction and Summary



I. Introduction and Summary

A. Summary

This Service Plan (“Service Plan”) of Highlands Ranch Metropolitan District (“District”) constitutes the service plan for the Title 32 special district now known as Highlands Ranch Metropolitan District No. 3 (“HRMD 3”) which will be the surviving district after consolidation of all services presently being provided by HRMD 3 with the services of Highlands Ranch Metropolitan District Nos. 1, 2, and 4 (“HRMD 1”, “HRMD 2”, HRMD 4, or collectively, including HRMD 3, the “Consolidating Districts”). The District will serve the needs of the development in unincorporated Douglas County (“County”), Colorado, known as Highlands Ranch.

Highlands Ranch was zoned and approved for development in 1979 by the County in accordance with the terms of the Planned Community District Development Guide for the New Town of Highlands Ranch approved by the Board of County Commissioners on September 17, 1979 (the “Highlands Ranch Development Guide”). There are now approximately 83,000 residents living in Highlands Ranch and at full build-out it is estimated that there will be approximately 100,000 residents.

All public infrastructure, including streets, drainage, sanitation and water facilities, recreation and other improvements presently existing or to be built in Highlands Ranch either have been or will be completed are described in Section III. Some public improvements will be transferred to the County and the District will operate and maintain the other public improvements as explained in Section III. The Service Plan describes the major public improvements that will be provided by the District, a special district resulting from the consolidation of the services presently provided by the Consolidating Districts pursuant to Part 6 of Article 1 of Title 32 and having the powers authorized in Article 1 of Title 32, C.R.S., as amended (“Act”) which are the same powers presently being exercised by the Consolidating Districts. The Service Plan is submitted in accordance with Parts 2 and 6 of the Act and the County’s Special District Service Plan Review Procedures (the “County Review Procedures”). The Service Plan demonstrates how the District will serve the Highlands Ranch community and provide and maintain the necessary public improvements and services needed by residents of the District.

All exhibits, maps and tables referred to herein are attached at the conclusion of the Service Plan, unless otherwise noted, and are incorporated herein by this reference for all purposes.

B. Background

1. Establishment of the First Metropolitan District

In 1980, the community’s original developer, Mission Viejo Company, established HRMD 1, which was one of the first special districts in Colorado formed to provide multiple municipal services. As such, it was capable of building and financing the community’s infrastructure, which was planned to include fire stations and equipment, arterial roads, traffic signals, storm drainage facilities, water and wastewater facilities, parks, recreation facilities and trails.

The developer also formed one master water and sanitation district: Mission Viejo Water and Sanitation District, now named Centennial Water and Sanitation District (CWSD) and six other water and sanitation districts known as Highlands Ranch



Water and Sanitation District, Phases I through VI. CWSD was to finance and construct the major water and wastewater plants and the major water and sewer infrastructure. These “Phase” districts were to supervise, own and maintain various in-tract water and wastewater facilities¹ after their construction by the developer.

The initial plan was that in addition to those districts, additional metropolitan districts would be formed as needed to complete the community and indeed, HRMD 2 was formed in 1982. In 1990, because of various changes to the Act, the service plans were amended to consolidate Highlands Ranch Water and Sanitation District Phase I with HRMD 1 and Highlands Ranch Water and Sanitation District Phase II with HRMD 2. It also allowed Highlands Ranch Water and Sanitation District, Phases IV, V and VI to assume metropolitan district powers and change their names to HRMD 3 and 4 and Highlands Ranch Metropolitan District No. 5. (In unrelated proceedings Highlands Ranch Water and Sanitation District, Phase III became Northern Douglas County Water and Sanitation District). Although special districts had been serving Colorado communities for more than 50 years, the Highlands Ranch Metropolitan Districts pioneered the concept of multiple service districts.

2. The Basic Plan

When Mission Viejo Company established the various districts, the long-term vision was to:

- a) Provide appropriate financing mechanisms to ensure that the community would be able to be self-sustaining as it matured;
- b) Assure that established portions of Highlands Ranch didn't have to pay for future development; and
- c) Provide financing for the infrastructure at the lowest possible cost.

The plan was to establish several metropolitan districts that would serve geographic areas of Highlands Ranch and would be activated when needed and then grow as the planned community expanded. When one district achieved a level of assessed valuation such that the tax base could support the payment of the debt issued to build the infrastructure serving the residents of that district, Mission Viejo Company's support for the debt would be moved to the next district to be activated.

C. Structure

1. District Structure

This Service Plan defines the powers and authorities of, as well as the limitations and restrictions on, the services provided by the District. The Service Plan also sets forth the general parameters for the working relationship with other governmental agencies. The District will be responsible for (i) financing, acquiring, providing and completing the remaining public improvements within the Service Area, (ii) operating, and providing the services needed to serve Highlands Ranch, unless the

¹ “In-tract” refers to those facilities within each subdivision not owned by CWSD and located in easements and ROW dedicated on the approved plat.



related facilities are transferred to the County or other governmental agencies; and (iii) imposing the property taxes needed to support the Financing Plan for the public improvements and for on-going operating expenses of the District. The Financing Plan discussed throughout the Service Plan is more fully described in Section VI and will be implemented to provide the public improvements and services needed for Highlands Ranch.

The consolidation of the services into one district will create numerous benefits for the residents of Highlands Ranch. In general, these benefits are: (i) coordinated administration of construction and completion of the public improvements needed for Highlands Ranch, (ii) maintenance of uniform property tax levies and reasonable tax burdens on all properties within Highlands Ranch, and (iii) assurance that all essential public improvements needed for Highlands Ranch are completed and paid for in a timely and cost effective manner without any cost to the County. Each of these concepts is addressed in greater detail in the Service Plan.

2. Boundaries of District

The boundaries of the Service Area of the District are coterminous with the boundaries of Highlands Ranch, as set forth in the Highlands Ranch Development Guide.. The actual boundaries at the present time are shown in the attached map showing the boundaries of the District, section lines, roads, adjacent special districts and cities as well as the legal boundaries of the District. (Exhibit A-1, Boundary Map) The District will contain all of the land presently included in the Consolidating Districts. Infrastructure improvements are generally depicted on the maps attached as Exhibits A-2 through A-4.

The geographic area which may legally be served by the District (“Service Area”) comprises the entire area set forth in the Highlands Ranch Development Guide. The District will have the power to impose property taxes only within its boundaries. The District does not intend to furnish services or facilities outside of its boundaries, except as authorized in the Service Plan or by intergovernmental agreement.

Other property may, however, be included in the District in accordance with the provisions of the Act and property may also be excluded from the District, unless such inclusion or exclusion would constitute a material modification of the Service Plan under the Act. In such event, the District shall first obtain the approval of the County in accordance with Section I.F of this service plan.

3. Existing Services and Districts

There are no other governmental entities in existence within the area which have the legal and financial ability to provide the services required for the financing, design, completion, and operation and maintenance of the public improvements needed to serve Highlands Ranch in whole or in part. Consolidation of the services of the Consolidating Districts would allow the more efficient provision of public improvements and services within the area described in the Highlands Ranch Development Guide.



This consolidation is being made in order to minimize governmental activities. The District will fund, construct, complete, operate and maintain the public improvements within Highlands Ranch as specified herein. Operation and maintenance of the public improvements already existing and to be constructed will now be the responsibility of only one metropolitan district rather than the four presently providing those services.

D. General Development Information and Assumptions

The total residential development within the District at build-out is projected to be 36,500 residential dwelling units. Based upon an estimated 2.8 persons per dwelling unit, the population within the District at build-out is projected to be over 100,000 persons. As detailed in the Financing Plan, the market valuation of all taxable residential property within the District is now \$7,847,884,045 and at build-out in 2013 is projected to be approximately \$9,608,335,085 and the base assessed valuation for property taxation is approximately \$624,691,570, projected to be \$764,823,475 at build out. The market valuation of all taxable commercial property within Highlands Ranch is now approximately \$832,298,897 with a base assessed valuation for property taxation of approximately \$241,366,680. The aggregate market valuation of all taxable property in the District at in 2016 is projected to be \$1,437,927,390 with an aggregate base assessed valuation for property taxation of approximately \$416,998,945. The assessed valuation of all taxable property within the boundaries of the District is presently \$888,085,000.

The estimated costs of the general government public improvements, constructed and to be constructed, which are needed to serve Highlands Ranch are substantial, exceeding \$184,000,000. The District will remain responsible for its own obligations and will assume the obligations incurred to date by HRMD 1, 2 and 4. In addition, CWSD is constructing over \$182,000,000 for the primary benefit of Highlands Ranch. The District pays for its share of these facilities through the payment of capacity fees to Centennial. The District receives the funding to pay the capacity fees by assessing tap fees due from property owners prior to obtaining a water tap.

The Financing Plan demonstrates the financing method that was used and will be used to fund the costs of acquisition, construction and completion of the public improvements needed for Highlands Ranch.

The Financing Plan demonstrates that the costs of public improvements needed to serve Highlands Ranch have been, and will be, financed economically and without significant financial risk to property owners within the District through property taxes levied to pay debt service on District bonds. The property taxes are presently set at 20.282 mills. The projections and estimates set forth in the Financing Plan relating to the costs of debt repayment and operations will not constitute limitations on the financial powers of the District; provided, however, that the District shall not issue bonds which are not in compliance with State law, the County Review Procedures and other provisions of the Service Plan, including Section VI.

The general obligation debt issued by the District will be borne solely by the users of the District facilities and the taxpayers within the boundaries of the District. The County will have no financial responsibility for District debt under any circumstance. Additionally, the



legal and financial controls on District debt operate to limit the taxes that property owners within the District will be required to pay.

E. Contents of Service Plan

The Service Plan consists of (i) a summarization of the need for the services to be provided by the District and its general powers and authorities; (ii) a section showing how the public improvements and services needed to serve Highlands Ranch have and will be provided; and (iii) a Financing Plan showing how the existing and future public improvements and services will be financed. Other information is included in the Service Plan in compliance with the requirements of Parts 2 and 6 of the Act and in compliance with the County Review Procedures.

The information regarding Highlands Ranch and the engineering and financial information contained within the Service Plan were derived from a variety of sources, primarily the records of HRMD 1, 2, 3 and 4.

This consolidation will not change any of the services now being provided to the citizens of Highlands Ranch by HRMD 3 or the Consolidating Districts. However, this Service Plan is complete in and of itself and shall modify and replace the service plan for HRMD 3.

F. Modification of Service Plan

The Service Plan contains all information required by the Act and the County Review Procedures. The Service Plan has been written with sufficient flexibility to enable the District to provide the services and public improvements now anticipated for Highlands Ranch and under future evolving conditions without the need for numerous amendments or modifications. While the assumptions upon which the Service Plan is based are reflective of authorized land uses, the capital cost estimates and Financing Plan have proven reliable in the past and are sufficiently flexible to enable the District to fund increases in the cost of public improvements without the need to modify the Service Plan if changes are subsequently necessary. Modification of the general types of public improvements and changes in proposed configurations, locations, quantities, dimensions or costs of various public improvements shall be permitted to accommodate actual development needs without any requirement for an amendment or modification of the Service Plan unless such changes constitute material modifications.

In the event that the District desires to make a material modification to this Service Plan, the District shall submit such proposed modification to the Board of County Commissioners (“BOCC”), which will determine whether the proposed modification is material. If the BOCC determines that the modification is material, then the District must obtain County approval before making any material modifications to this Service Plan in accordance with § 32-1-207, *et seq.*, C.R.S., including, written notice to the County pursuant to § 32-1-207, C.R.S., of proposed actions which the District believes are permitted by this Service Plan.

If it is unclear whether a proposed action is a major modification, it shall be the District’s responsibility to contact the County to seek an interpretation as to whether the proposed action is allowable without a modification of this Service Plan.



Section II
Need for District and General Powers



II. Need for District and General Powers

A. Need for District

At the present time the residents of Highlands Ranch are served by four different metropolitan districts. Each has a Board of Directors ("District Board") consisting of five members. As Highlands Ranch approaches build out it is in the interests of the residents to consolidate into one metropolitan district.

Consolidating ameliorates the inefficiency of having four boards of directors when only one is needed. There is significant expense associated with insurance, legal fees, audit fees and director pay that will be saved by consolidation. Consolidation also removes the possibility of differing mill levies for taxpayers of Highlands Ranch. As the District pays off the debt, the mill levy may be reduced to reflect different debt to assessed value ratios. With consolidation, the cash flow requirements associated with the four current districts will be reduced, allowing more long term and therefore higher yield investments. In addition, consolidation provides a more identifiable governing body, adjusts the role of the General Manager from primary representative of the Consolidating Districts to the support of one chairperson and one board and institutes a single cohesive government serving the entire Highlands Ranch community. The District Boards have determined, pursuant to their consolidation resolutions, that:

1. The public health, safety, prosperity and general welfare of the inhabitants of the Consolidating Districts will be better served by consolidation into one district; and
2. The Consolidating Districts are so situated that they may operated effectively and economically as the District; and
3. After successful consolidation, the name of the District will be "Highlands Ranch Metropolitan District;" and
4. The services to be provided by the District are the same services currently provided as described in Section II (B) below.
5. The District will have seven directors.

As noted above, consolidation will enable the District to more efficiently and economically serve the inhabitants of Highlands Ranch. The proposed elections will seek voter approval of Court-approved ballot questions that are consistent with the provisions of this Service Plan, and generally can be described as:

1. Approval of the District; and
2. Confirmation that the District will have all of the powers set forth in the Service Plan;
3. Assumption of the outstanding bonded indebtedness and the authorized but not yet issued debt of HRMD 3 and the outstanding bonded indebtedness of the HRMD 1, 2 and 4.; and
4. Set the maximum mill levy.



At present, the mill levy is set at 20.282 mills in each of the Consolidating Districts. The Financing Plan anticipates keeping that mill levy and does not project any significant accumulation of fund balances which might represent excess revenues under TABOR from ad valorem taxes. To the extent that annual District property tax revenues exceed the allowed revenues, the District will comply with the provisions of TABOR and either refund any excess property tax revenue or obtain voter approval to retain such amounts.

B. General Powers of the District

The District will have the same powers and authorities as were originally approved for the Districts which generally are those granted under the statutes of the State of Colorado, including, but not limited to the powers and authorities granted to metropolitan districts under the Act to provide all necessary services and facilities both within and without the Service Area, subject to any limitation set forth in the existing service plans and in this Service Plan. In particular, the District shall have authority to provide the following services and facilities, all of which will be in conformance with County Regulations and the regulations of other governmental agencies, if applicable:

1. Street Improvements

The District shall have the power and authority to provide for the design, acquisition, installation, construction and operation of arterial, collector and local streets and other roadway improvements, including without limitation curbs, gutters, culverts, interchanges, storm sewers and other drainage facilities, detention ponds, retaining walls and appurtenances, as well as public sidewalks, bridges, parking, paving, lighting, including street lighting, grading, landscaping, entrance facilities, public utilities, bus shelters and appurtenances, signage, security systems, and other related improvements, together with all necessary, incidental, and appurtenant facilities, land and easements, and all necessary extensions of and improvements to such facilities.

2. Safety Protection

The District shall have the power and authority to provide for the design, acquisition, installation, and construction of traffic and safety protection facilities and services through traffic and safety controls and devices on streets and roadways, as well as other facilities and improvements, including without limitation signalization at intersections, traffic signs, area identification signs, directional assistance, driver information signs, and security systems and services, together with all necessary, incidental, and appurtenant facilities, land and easements, and all necessary extensions of and improvements to such facilities.

3. Drainage

The District shall have the power and authority to provide for the design, acquisition, installation, construction and operation of drainage and storm sewer systems, including without limitation, lines, channels, detention ponds, flood and surface drainage disposal works and facilities, and all necessary equipment and improvements, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to such facilities or systems.



4. Sanitation

The District shall have the power and authority to provide for the design, acquisition, installation, construction, operations and maintenance of sanitary sewer systems, including without limitation lines, collection facilities, lift stations, and related disposal works and facilities, together with all necessary, incidental, and appurtenant facilities, land and easements, and all necessary extensions of and improvements to such facilities or systems; provided, however, that the District will exercise no power or authority with respect to sanitation services or facilities that is in conflict with or contravention of the powers or authorities of the CWSD or its rules and regulations.

5. Water

The District shall have the power and authority to provide for the design, acquisition, installation, construction, operation and maintenance of water systems, including without limitation lines, transmission, distribution and storage facilities, hydrants, irrigation and pumping facilities, together with all necessary, incidental, and appurtenant facilities, land and easements, and all necessary extensions of and improvements to such facilities or systems; provided, however, that the District will exercise no power or authority with respect to sanitation services or facilities that is in conflict with or contravention of the powers or authorities of the CWSD or its rules and regulations.

6. Park and Recreation

The District shall have the power and authority to provide for the design, acquisition, installation, construction, operation and maintenance of parks and recreation facilities or programs, including without limitation grading, soil preparation, sprinkler systems, playgrounds, playfields, community center, bike, hiking and nature trails, pedestrian and equestrian trails, pedestrian bridges, picnic areas, lakes, open space, common area landscaping and weed control, outdoor lighting of all types, and other recreational facilities, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to such facilities or systems.

7. Fire Protection

The District will provide, through intergovernmental agreement or other legally authorized means, fire protection, ambulance and emergency medical and rescue services including necessary equipment, personnel and facilities.

8. Other Services

In addition, the District may provide other services and facilities authorized under the Act or by law if needed to serve Highlands Ranch and not otherwise provided by the County or other governmental entities within the Service Area; however, the addition of such other services not specified herein shall constitute a material modification of the Service Plan and shall require the approval of the County.



9. Legal Powers

The powers of the District will be exercised by its Board to provide the services and facilities contemplated in the Service Plan and authorized under the statutes of the State of Colorado, including, but not limited to the Act. The furnishing of the facilities and provision of the services specified herein, along with other activities permitted by law, will be undertaken in accordance with, and pursuant to, the procedures and conditions set forth in the Act, other State law or this Service Plan.

10. Other Authorities

In addition to the powers enumerated herein, the Board shall have the authority to:

- a) Amend the Service Plan as necessary, subject to compliance with all statutory procedures set forth in the Act, including by providing written notice to the County pursuant to §32-1-207, C.R.S., of any action or activity which the District believes is permitted by the Service Plan but which may be unclear;
- b) Revise, resize, reschedule, or restructure the financing, construction, completion and operation of the various public improvements and facilities in order to accommodate: i) the needs of the residents of Highlands Ranch; ii) the costs of future public improvements; iii) the inclusion of property into the District, or iv) the provision of any public improvement, facility or service by the County or another entity. However, the District shall notify the County of any alteration or revision of the proposed schedule of debt issuance set forth in the Financing Plan pursuant to Section 32-1-202(2)(b), C.R.S.; and
- c) Provide all additional services and facilities, subject to any necessary approval of the County, and to exercise all express or implied powers granted by the Act or State law, and which the District is required to provide or exercise or, in its discretion, chooses to provide or exercise.



Section III
Description of Existing and Future Facilities and
Improvements



III. Description of Existing and Future Facilities and Improvements

This section includes the description of the facilities and services, presently existing and planned, which are required in order to provide the services detailed by the Service Plan for the District. The facilities are described in more detail in the Facilities Plan, which is a financial planning document that lists all existing and future facilities and the actual or estimated costs in the following categories: arterial streets, storm drainage, channel stabilization, parkway landscaping, traffic signals and parks and trails. Future facilities are also depicted on the maps attached at the end of the service plan as Exhibit A-2 through Exhibit A-4.

Each section below describes the type of overall improvements built in Highlands Ranch and describes the related operation and maintenance services. The cost for the construction is shown in Exhibit 7, Table B and the costs of operation and maintenance are summarized in Exhibit 7, Table D.

A. Street Improvement

Capital Construction. Arterial streets have been designed and constructed in accordance with Douglas County standards and will continue to follow these standards. Upon satisfactory completion of the warranty period, these facilities are turned over to Douglas County. A total of 43 miles of arterials and one highway interchange were anticipated to be constructed within Highlands Ranch. Currently, 41 miles of these arterials and the interchange have been constructed. Streetlights within residential neighborhoods that have not yet been developed will be installed by the developer and turned over to the District. A map showing the projects that remain to be constructed is provided in Exhibit A-2, Future Metro District Arterial Roadways and Traffic Signals.

Services. The District may provide street and sidewalk sweeping and snow removal services that supplement those provided by Douglas County. Funding for the supplemental maintenance will be budgeted by the District Board from taxes levied for that purpose and from other sources of revenue. The District will also be responsible for operation and maintenance of both arterial and interior streetlights. The funding for any supplemental maintenance and for operation and maintenance of the street lights will be budgeted by the District Board from taxes levied for that purpose and from other sources of revenue. Currently the Consolidating Districts impose a street light fee which is included on the periodic water bills.

B. Major Storm Drainage

Capital Construction. Highlands Ranch contains portions of the Willow Creek, Big Dry Creek, Lee Gulch, Dad Clark Gulch, Marcy Gulch, Spring Gulch, and Plum Creek drainage basins. The major drainages have been and will be retained, wherever practical, in a natural state, except when improvements are necessary. Improvements will be necessary from time to time in any or all of these drainage basins as determined by the District or Douglas County. The cost for these improvements will be funded by the District in accordance with the Facilities Plan. Reimbursement for a portion of the cost may be available from Urban Drainage in accordance with their annual budget process.



Services. The District will continue to perform maintenance of the major drainage ways and stormwater improvements in the drainages. The District may request Urban Drainage assistance when such maintenance meets Urban Drainage's criteria for eligibility.

C. Parkway Landscaping

Capital Construction. Landscaping has been and, subject to the appropriation of funds by the District Board, will be provided within Highlands Ranch along all of the arterial roadways. The District will fund landscaping adjacent to District built four and six lane arterial roadways in residential and commercial areas. These landscape treatments vary from site to site and are, on average, about 30 feet in width in residential areas. The maximum commercial area landscape width funded by the District is 20 feet. The District will also fund a 5' sidewalk in addition to the landscape improvements along District built four and six lane arterials in both residential and commercial areas. Improvements constructed within the ROW of any public street shall require the approval of Douglas County.

Services. Maintenance of landscaping includes all horticultural and operational costs of mowing, fertilization, irrigation and replacement of trees, shrubs, perennials and grasses. The funding for equipment and for landscape, fence and wall maintenance of the parkway landscaping will be budgeted at the discretion of District Board from taxes levied for that purpose and from other sources of revenue.

D. Parks, Recreation, Open Space and Trails

Capital Construction. Parks, recreation facilities and programs and trails have been and will be developed as community needs evolve and as determined by the District Board. The need for additional parks, trails, and other recreational facilities will be evaluated and will be constructed and maintained by the District in the same manner as the existing facilities. Generally, recreation programs recover all direct and indirect costs through recreation fees. Park and recreation services such as field and shelter reservations recover a minimum of 70% of direct and indirect costs from recreation fees. A map showing park and trail projects that remain to be constructed is provided in Exhibit A-4.

Services. The District will operate and maintain all areas owned by the District. Funding for operational costs will be budgeted by the District Board from taxes levied for that purpose and from other sources of revenue. Approximately 70% of the funding for recreational programs and services will continue to be received from recreation fees.

E. Traffic Safety Devices

Traffic signals and other control devices may be installed by the District as determined by the Board and approved by Douglas County. The District budget process anticipates that the cost to operate and maintain these devices will be borne by Douglas County. A map showing projects that remain to be constructed is provided in Exhibit A-2.

F. Fire Protection/Emergency Medical Service

In order to serve Highlands Ranch, the Districts have constructed two fire stations and have jointly funded one-third of another station. The Consolidating Districts have purchased fire engines and rescue vehicles to equip these stations. HRMD 1 has entered into a contractual agreement with the City of Littleton on behalf of the Consolidating Districts to provide fire



protection and emergency medical services to all of Highlands Ranch. (Attached as Exhibit 1). This contract will be assumed by the District. It has a 16-month termination clause, which the District may exercise if it becomes financially advantageous for the District to either operate the fire department itself or make other arrangements.

G. Water and Sanitation Services

The overall water and sewer development guide for Highlands Ranch is intended to balance the cost of constructing facilities so that customers pay approximately the same to connect to the system regardless of their location in the community. The plan also requires each user of the facilities to pay a fair share of the costs for operating and maintaining the system. The plan is as follows:

1. CWSD has, or will, construct all major water and sewer facilities serving Highlands Ranch.
2. Facilities are sized for maximum cost efficiency and have been phased to keep pace with the need for service.
3. Each of the Consolidating Districts have a contract with CWSD, which will also bind the District, although if necessary or desirable the District will formally assume the contracts of the Consolidating Districts with CWSD for water and wastewater services and for capacity in its system. The current contract between CWSD and the Consolidating Districts is attached as Exhibit 2.
4. The current contracts specify that CWSD will set rates and fees, bill customers and maintain and manage the entire system.
5. The District will own all of the in-tract water and sewer lines which presently consist of 294 miles of water lines and 249 miles of sewer lines. CWSD owns all major water and wastewater facilities.



Section IV

Development Projections



IV. Development Projections

It is expected that various properties within the Highlands Ranch Development Guide, not already included in one of the Consolidating Districts will be included as petitioned by the landowner. These are shown in Exhibit A-5, Future Inclusions map.

The current acreage within the Consolidating Districts is approximately 10,526 acres. It is anticipated that an additional 3,230 acres will be included, bringing the ultimate acreage to approximately 13,756 acres. The timing of the future inclusion of the added 3,230 acres cannot be predicted with great certainty, but the finance plan has assumed that the residential portion of the acreage will all be included within the next 5 years and the nonresidential acreage within the next 15 years. The added acreage is within the existing zoned, but undeveloped areas within the Highlands Ranch PD.

It is unclear at the present time whether or not the 8200 acre Backcountry Wilderness Area also known as the Open Space Conservation Area (OSCA) will be included in the boundaries of the District. Most of this area is owned by Shea Homes with the area east of Monarch now owned by the Highlands Ranch Community Association (HRCA). By an agreement between the County, Shea and the HRCA, the entire OSCA will eventually be owned by HRCA. The current landowners have not yet indicated their intentions regarding inclusion. Should a landowner seek inclusion, the District will negotiate with that landowner concerning the construction of infrastructure and the provision of services including funding sources. There is no plan to build infrastructure or provide services specifically for the OSCA property and therefore no associated funding has been identified. Funding sources could include impact fees, direct payment by developers, HRCA assessments, sub-association assessments, property taxes, recreation fees, grants, gifts and others.



Section V
Proposed and Existing Agreements



V. Proposed and Existing Agreements

HRMD 3 passed a consolidation resolution and HRMD 1, HRMD 2 and HRMD 4 passed concurring resolutions on September 27, 2005. Those resolutions are contained in Exhibit 3.

There are two intergovernmental agreements that are the cornerstone for the way the Consolidating Districts have operated. To the extent that their provisions are still applicable these agreements shall be assumed by the District. It is significant that the IGAs were in place prior to the approval of TABOR. TABOR placed limitations on revenue to local governments and dramatically altered certain aspects of the assumptions for funding of the services envisioned by the IGA, the Service Plans and the Facilities Plan. Despite these challenges the IGAs still provide the guidance for the current method of management.

A. The Joint Amended Highlands Ranch Metropolitan Districts Agreement Dated the 19th Day of December, 1989. (Metro Districts IGA)

The Metro Districts IGA was initially adopted in 1982 by resolution of the District Board of HRMD 1 and 2. Subsequently in 1989, as HRMD 3 and 4 were formed, their electors approved the agreement. During an election held in 1990 to consolidate HRMD 1 and HRMD 2 with the independent Highlands Ranch Water and Sanitation District Phases I and II, the updated 1989 agreement was ratified by the electors. See Exhibit 4. The agreement provides numerous items to consider but those items most specifically related to consolidation include the financial obligations that are created by:

1. **The Master Budget.** This Metro Districts IGA calls for an annual budget to identify levels of services and other operational and maintenance items necessary to serve the entire Highlands Ranch community. Per the agreement, this budget is maintained and administered by HRMD 1. The net cost for providing those services identified in the Master Budget is allocated to each of the active districts based on the relative assessed valuation (AV) of each district to the combined total AV of Highlands Ranch. This allows for a uniform mill levy across all districts for services. The agreement allows a district to supplement, at their cost, the base services provided by the Master Budget.
2. **Facilities Construction.** The Metro Districts IGA provides a fair and equitable method for allocating the cost of facilities identified in the Facilities Plan among the districts which is related to the relative amount of Systems Development Fees (SDFs) collected and to be collected within each district. The IGA also specifies how the Facilities Plan is used to establish the per-acre Systems Development Fee (SDF) that is charged as development occurs. The cost of construction of the necessary facilities, the timing for the construction of the facilities and the timing of the collection of the fees combine to dictate the debt burden that would be incurred by an individual district.

The District would assume the obligations of HRMD 1 under the Joint Agreement which relate to Highlands Ranch Metropolitan District No. 5 or if necessary or desirable enter into a similar agreement. Should that change in the future then the provisions described in



paragraphs 1 and 2 above would be implemented with the Master Budget being maintained and administered by the District.

B. The Highlands Ranch Water and Wastewater Agreement dated December 18, 1990 (CWSD IGA)

The CWSD IGA was initially adopted by resolution in 1981 between CWSD and each of the then existing Highlands Ranch Water and Sanitation Districts. During the 1989 and 1990 timeframe, the Highlands Ranch Water and Sanitation Districts were consolidated into what are now known as Highlands Ranch Metropolitan District Nos. 1-5. Those districts provide water and sewer services to the residents. This is currently accomplished through a full service contract with CWSD. The developer of a piece of property is required to build and grant an easement for all in-tract water and sewer lines to the District in which the property being developed is included. The installation of those lines is monitored and inspected by each of the districts and upon completion of the facilities and a one-year warranty period, the facilities are conveyed to the appropriate district. CWSD builds all transmission and collection lines as well as the water and wastewater treatment facilities. The “in-tract” lines are connected to those transmission and collection lines. CWSD’s only customers are special districts located in its service area.

Each of the Consolidating Districts has responsibility for maintenance of the in-tract lines and each has a contract with CWSD for that service as well as billing and other services. See Exhibit 2. This IGA spells out how those districts purchase reserve capacity in CWSD’s facilities for their future residents and customers. Each is required to pay in advance for the reserve capacity needed to serve areas being included with water and sewer services. In the early years for HRMD 1 and 2, this was accomplished by issuing general obligation debt. Changes in the State Statutes, policies for adoption of new filings by Douglas County and the record development growth rate of the 1990’s all led to the later districts (HRMD 3 and 4) being able to fund a significant amount of this payment with available cash instead of general obligation debt. This also contributes to the problem of maintaining a uniform mill levy. The District would be bound by the terms of its existing agreement with CWSD.

C. Fire and Emergency Services IGA

The Fire and Emergency Services IGA entitled “Agreement” dated June 21, 2000 provides fire protection, emergency medical services, emergency communications, fire prevention, fire inspection, education and related services for all of Highlands Ranch (under the Metro Districts IGA – Section A above), the City of Littleton and the Littleton Fire Protection District, see Exhibit 1. HRMD 1, with funding provided by the Facilities Plan and Master Budget described above, has built fire stations and purchased fire engines and rescue vehicles. The three parties fund and the City of Littleton provides firefighters, paramedics and communications and other services. Each of the partners pays a pro-rata share of the expenses based on a formula determined by the assessed value (AV) and number of calls for each entity.



D. Other Contract/IGA's

The Consolidating Districts have entered into a variety of other intergovernmental agreements and contracts that are listed in Exhibit 5. The District shall assume all of these contracts and agreements except noted below:

1. The Joint Amended HRMD Agreement dated December 19, 1989 and the Supplement of June 30, 1998 in so far as they pertain to the Consolidating Districts, may be amended or dissolved upon consolidation. It is anticipated that it will be replaced by a similar agreement between the District and Highlands Ranch Metropolitan District No. 5.
2. The Highlands Ranch Metro Authority Agreement was entered into to establish a government for all of Highlands Ranch which then offered the 5A bond issue in 2002. The issue failed and the Authority has been dormant ever since. Consolidation would eliminate the need for the Authority.



Section VI

Financing Plan



VI. Financing Plan²

Attached hereto as Exhibit 6 is the Financing Plan in the form suggested by the County's Service Plan Review Procedures.

The financial models anticipate that the District will assume the outstanding general obligation debts, assets, liabilities and obligations of the Consolidating Districts.

The maximum mill levy will be set by the voters as part of the ballot questions for consolidation. It will not be more than the current 20.282 mills for HRMD 3. Should the consolidation issue pass the District mill levy in subsequent years will be determined by the District Board, subject to the provisions of TABOR.

A. Debt Authorization

The Consolidating Districts have historically financed the construction of public improvements through a combination of cash funding provided by the collection of a Systems Development Fees ("SDFs") and the issuance of General Obligation debt. Since 1999 all improvements have been funded through the cash flow generated by the collections of SDFs. It is anticipated that the future infrastructure requirements will also be funded in this manner. However, in case of a slowdown in the generation of these fees, the District will retain the ability to issue debt within the limits established by this Service Plan or as approved by voters.

The existing indebtedness of HRMD 1, 2 and 4 will be consolidated with that of HRMD 3. One of the election questions will specifically authorize the District to assume all of such debt.

The resulting total authorization of the District would be \$188,325,000 as shown on Exhibit 7, Table A-1.

The total authorization of the District can be compared to the existing total authorization of all of the Consolidating Districts. Exhibit 7, Table A-2 indicates that the District, post-consolidation, will have a total authorization of \$186,952,000 less than the total if there were no consolidation.

The District will continue to have, as its primary sources of revenue to repay any outstanding debt, the following:

1. Property taxes generated from a mill levy assessed by the District Board more fully discussed below;
2. An SDF is collected on each individual property prior to the issuance of a water tap. The tap can not be issued without the payment of the fee. As of 12/31/2004 the Consolidating Districts have collected in excess of \$115,600,000 in fees. The current formula, which will be retained by the District, will generate an additional \$47,000,000 in fees; and

² All cost and revenue figures listed in this service plan are stated in 2005 dollars rather than inflated dollars. The use of 2005 dollars has an underlying assumption that future cost increases not related to growth will be offset by future increases in assessed valuations and other revenue sources allowed pursuant to TABOR.



3. A Tap Fee is also collected for each individual property prior to the issuance of a water tap. The tap cannot be issued without the payment of this fee.

Any future bonds, whether they are refunding existing outstanding debt or for the purpose of new construction, when issued, will mature in not more than 30 years from the date of their issuance as required by statute. The proposed maximum net effective interest cost will be 15 percent with a maximum discount of 3 percent. The exact interest rates and discounts will reflect market conditions at the time of sale of the bonds by the District. The bonds will contain adequate call provisions to allow for redemption or refinancing prior to maturity of bonds. In addition, the District may capitalize two years interest from the proceeds of bonds sold to permit payment of interest during the time lapse between development of taxable properties and certification of this development on the tax roll.

B. Cost Summary of Completed and Remaining Infrastructure

Exhibit 7, Table B summarizes the construction costs, including engineering and other expenses, which are related to the anticipated ultimate District boundaries. This table breaks the costs into those expended as of December 31, 2004 and those remaining to be expended.

Highlights of Exhibit 7, Table B are as follows:

1. These costs, which are in 2005 dollars, show the anticipated expenditures to fund the necessary infrastructure. The costs shown are not inflated because the formulas for the SDF and Tap Fees described above will change to accommodate any increase in costs due to inflation.
2. The amount remaining to be expended is estimated at approximately \$33 million for general government infrastructure. As of December 31, 2004, the Consolidating Districts had \$31 million available in their audited general government capital projects funds to pay for these improvements. In addition as mentioned above, it is anticipated that some \$47 million of additional SDF will be collected (the 2005 collections will be in excess of \$5.5 million) to pay for these improvements. Upon consolidation, these funds will be available to the District for the stated purposes.
3. The remaining payment to CWSD for reserved capacity is estimated at \$25.7 million. The District is required to acquire additional capacity from CWSD as new land is included within the boundaries. The tap fees to be collected will be more than sufficient to pay the remaining obligation.

C. Projection of Assessed Valuation

Exhibit 7, Table C summarizes the calculation of anticipated market value and assessed valuation for 2004 and the anticipated ultimate development of the District in 2016.

For purposes of calculating assessed valuation and market value, the following assumptions were made:

1. All assumptions were consistent with current methodology employed by the County Assessor in calculating assessed valuation.



2. Residential property is assessed at 7.96 percent of market value and commercial/industrial property is assessed at 29 percent of market value.
3. Market value, consistent with current law, is based upon a 2003 base year. The calculated average market value per dwelling unit (including both single family and multi-family residences) in Highlands Ranch based upon this assumption is approximately \$269,000, which translates to an assessed value of approximately \$21,400 per dwelling unit.
4. The commercial/industrial market value (including personal property) is estimated at approximately \$1,138,000 per acre, which correlates to an assessed value of approximately \$330,000 per acre.
5. Receipt of tax revenues due to new construction are realized two years after construction due to the one-year time lag between construction and certification of the mill levy against the increase in assessed value and the additional one year time lag required for collection.

The Exhibit 7, Table C shows the actual 2004 calculations and the projected 2016 calculations. The 2016 projection was chosen because the Financing Plan anticipates that 2016 is the last major debt service year and that at that time most, if not all, of the outstanding debt will be retired. Highlights of the table include:

1. The assessed to actual value ratio increases from 10.19% to 10.70%. This reflects that the nonresidential tax base will grow faster than the residential tax base
2. The increase in assessed value will be between 27% and 33% depending on which growth scenario is used. The 100% growth model assumes a conservative growth pattern utilizing historical trends and development data for Highlands Ranch. The 75% model is, as the name suggests, 75% of the historical trend level and is even more conservative.

D. Operation and Maintenance Expense

The projected operation and maintenance expense (see Exhibit 7, Table D) will be met primarily through a mill levy to be assessed against all taxable property located within the District boundaries. The estimated operation and maintenance expenses are based upon 2005 costs. Increases in such expenses due to inflation should be met by the increased growth in assessed valuation as construction values used to estimate market value are also represented in 2005 dollar costs. The projected operation and maintenance expenses are for the facilities to be owned and maintained by the District

Exhibit 7, Table D highlights the following:

1. That the worst case mill levy today would be 13.98 mills if we had no other funding sources such as Specific Ownership taxes and investment income on fund balances, which currently provide a significant other source of financing. In 2006, the budget anticipates these other sources of funding and the corresponding mill levy for operations is only 11.765 mills.



2. Based on a similar assumption of none of the above funding sources being available and the maximum anticipated increase in fire costs, the mill levy would rise only .02 mills to 14 mills based on the 100% growth scenario.
3. Even if we assumed the 75% growth scenario, the mill levy would only increase to 14.60 mills or 4.4%.

E. Debt Service Expense

The projected debt service expense (see Exhibit 7, Table E) will be met primarily through a mill levy to be assessed against all taxable property located within the District boundaries. The Financing Plan does not assume any refundings which may be allowed. Refundings will be considered when they are economically viable.

F. Enterprises

In the discretion of the District Board, using the procedures and criteria provided by TABOR and State law, the District may set up enterprises to manage, fund, and operate such facilities, services and programs as may qualify for enterprise status. To the extent allowed by law, any enterprise created by the District will remain under the control of the District Board.



Section VII
Dissolution of the District



VII. Dissolution of District

The District will not be dissolved as long as it is providing services and facilities and discharging its obligations in accordance with the provisions of the Service Plan. Any proposed dissolution shall be in accordance with C.R.S. Title 32, Part VII.



Section VIII
Conclusions - Compliance with statutory requirements



VIII. Conclusions - Compliance with statutory requirements

It is submitted that this Service Plan for Highlands Ranch Metropolitan District satisfies the required criteria of Section 32-1-203 (2) and (2.5), C.R.S.. *The District's responses to the required statutory criteria appear in italics.*

There is sufficient existing and projected need for organized service in the area to be served by the District;

At present, the area to be served by the District contains approximately 10,526 acres and serves 83,000 citizens. The District plans to include an additional 3,230 acres for a total of 13,756 acres. At that time, the District will serve approximately 100,000 citizens. There are currently no other entities in existence which have the ability to undertake the design, financing, construction, operation and maintenance of the improvements to be owned by the District. It is also the proponent's understanding that the County does not consider it feasible or practicable to provide the necessary services and facilities for Highlands Ranch. The Service Plan complies with these statutory criteria.

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

There are currently no other entities in existence in the development which have the ability or willingness to undertake the design, financing, and construction of future capital improvements nor, the operation and maintenance of the improvements. It is also the proponent's understanding that the County does not consider it feasible or practicable to provide the necessary services and facilities for Highlands Ranch. This Service Plan allows the District to assume responsibilities for the improvements and services previously provided by four districts. The Service Plan complies with these statutory criteria. The only alternative is to continue all four Metropolitan Districts in existence.

The District is capable of providing economical and sufficient service to the area within its boundaries;

The Consolidating Districts have been providing economical and sufficient services to Highlands Ranch for 25 years. Those services will not change except to the extent there are savings associated with the consolidation. This consolidation merely provides for the continuance of those services by one District instead of four. The Service Plan complies with these statutory criteria.

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

As shown in Section VI, the Financing Plan, the District would be financially sound. The Consolidating Districts are rated A by Standard & Poor's and have been able to pay their bonded indebtedness while at the same time reducing the mill levy by 25% in the past 5 years. The Service Plan complies with the statutory criteria.

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;

Douglas County will not provide such site-specific improvements or services for Highlands Ranch. No other single existing municipal or quasi-municipal corporation, including any existing special district, intend to provide service to Highlands Ranch within a reasonable time or on a



comparable basis. While the four Consolidating Districts could continue to provide the same services, consolidating provides those services on a more efficient basis and reduces the number of special districts in Douglas County. The scope of improvements and the long-term maintenance of the improvements make consolidation the only logical solution. The Service Plan complies with the statutory criteria.

The facility and service standards of the District would be compatible with the facility and service standards of the County within which the District is to be located and each municipality which is an interested party under Section 32-1-204(1), C.R.S.;

Based on the types of improvements existing, the facility and service standards either meet or exceed the facility and service standards of Douglas County. The Service Plan complies with the statutory criteria.

The proposal is in substantial compliance with a master plan adopted pursuant to Section 30-28-108, C.R.S.;

The Service Plan is in conformance with the Douglas County 2020 Comprehensive Master Plan for the Development and for the types of improvements anticipated to be constructed, installed and maintained by the District, as contemplated herein. The Service Plan complies with the statutory criteria.

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

All water and sanitary sewer services are constructed, operated and maintained in accordance with all local, state and federal water quality rules, regulations and laws. Storm drainage facilities are in compliance with the Phase II Permit issued to the Consolidating Districts and Douglas County by the CDPHE which the District will assume.

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

Although no new district is being created, the consolidation will result in a District which is coextensive with the master planned community known as Highlands Ranch. The consolidation will be in the best interests of the present and future residents of Highlands Ranch. The Service Plan complies with these statutory criteria.



Exhibit 1 Fire and Emergency Services Agreement



AGREEMENT

This Agreement, made and entered into this 2nd day of May, 2002, by and between the CITY OF LITTLETON, a municipal corporation, hereinafter referred to as "City," the LITTLETON FIRE PROTECTION DISTRICT, a quasi-judicial municipal corporation, hereinafter referred to as "District," and THE HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 1, a quasi-municipal corporation, hereinafter referred to as "Metro 1," acting on its own behalf and on behalf of Highlands Ranch Metropolitan Districts No. 2, 3, 4, and 5 as well (Metro 1, together with Highlands Ranch Metropolitan Districts 2, 3, 4 and 5, collectively are referred to hereinafter as the "Metro Districts"), collectively referred to herein as the "Parties."

WITNESSETH THAT:

WHEREAS, the Parties provide Fire Protection Service within the boundaries of the respective jurisdictions under the terms of an Agreement dated June 21, 2000; and

WHEREAS, it is the desire of the Parties to amend Section 3 of Exhibit "A" to their Agreement dated June 21, 2000, entitled "Formula for Distribution of Amount of Annual Budget Between City and District and Metro 1," to more equitably provide for the distribution of certain costs among themselves; and

NOW, THEREFORE, it is agreed by and between the Parties hereto that Section 3 of Exhibit "A" to their Agreement dated June 21, 2001, is hereby amended to read:

3. METRO 1 PORTION

NOTE: Commencing with the budget for the year 2002 the total calls (responses) for Metro 1 for each five-year period will be the average of the previous three (3) years Metro 1 call total times five (x5). This will be changed to the actual sum of the previous five-year call total after the first consecutive three years when the call load increase does not exceed 10% annually. For purposes of calculating the Metro 1 share of total calls, when responses (calls) occurring on C-470 (within Metro 1 boundaries) exceed 10% of the total calls for Metro 1 during the year, those calls exceeding 10% will not be included in the total for budget calculation purposes; provided however, this exclusion for calls on C-470 will be eliminated when the provisions of the previous sentence are met.

Total calls (responses) in Metro 1 during prior five-year period, divided by total calls in City plus District plus Metro 1 during prior five-year period = Metro 1 call percentage.

Total assessed valuation of Metro 1 for year of operating budget, divided by total assessed valuation of City plus District plus Metro 1 for year of operating budget = Metro 1 assessed valuation percentage. (The term "total assessed valuation of Metro 1," for



purposes of the calculations required herein, shall include the total assessed valuation of the Highlands Ranch Metropolitan Districts No. 1, 2, 3, 4 and 5 and OSCA as shown on Exhibit 1.

Metro 1 call percentage plus Metro 1 assessed valuation percentage divided by 2 = percentage of operating budget to be assumed by Metro 1.

IN WITNESS WHEREOF, the Parties have set their hands and seals on the day and year first above written.

ATTEST:

[Signature]
City Clerk

THE CITY OF LITTLETON

By: *[Signature]*

APPROVED AS TO FORM

[Signature]
City Attorney

ATTEST:

LITTLETON FIRE PROTECTION DISTRICT

Secretary

By: *[Signature]*
President

APPROVED AS TO FORM:

[Signature]
Attorney for District

**THE HIGHLANDS RANCH
METROPOLITAN DISTRICT NO. 1**

[Signature]
Secretary

By: *[Signature]*
Chairman

APPROVED AS TO FORM:

[Signature]
Attorney for District



AGREEMENT

THIS AGREEMENT, made and entered into this 21st day of June, 2000, by and between **THE CITY OF LITTLETON**, a Municipal Corporation, hereinafter referred to as "City," and **THE LITTLETON FIRE PROTECTION DISTRICT**, a quasi-municipal corporation, hereinafter referred to as "District" and the **HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 1**, a quasi-municipal corporation, hereinafter referred to as "Metro 1," acting on its own behalf and on behalf of Highlands Ranch Metropolitan Districts No. 2, 3, 4 and 5 as well (Metro 1, together with Highlands Ranch Metropolitan Districts No.'s 2, 3, 4, and 5 collectively are referred to hereafter as the "Metro Districts") collectively referred to herein as the "Parties".

WITNESSETH THAT:

WHEREAS, the City and District are presently, and have in the past, jointly provided fire protection within the boundaries of their respective jurisdictions under the terms of agreements dated June 4, 1963, November 15, 1966, November 8, 1967, and December 18, 1990. The City and Metro 1 are presently, and have in the past, jointly provided fire protection within the boundaries of their respective jurisdictions, including those areas of the Metro Districts as shown on Exhibit 1 ("Metro Districts") under the terms of an agreement dated January 1, 1988 and an amendment dated May 21, 1991.

WHEREAS, it is the desire of the City, District and Metro 1 to enter into a singular agreement for the method of providing fire protection services to the City, District and the Metro Districts based on the formulas and criteria contained herein, and

NOW, THEREFORE, IT IS AGREED by and between the parties hereto as follows:

1. Administration. The administration and personnel necessary to provide uniform services to the City, Metro Districts and the District shall be provided by the City, by and through the Littleton Fire Department.
2. Services. It is agreed that Metro 1, District and the City shall receive service for the entire service area within the respective boundaries or service area of the Metro Districts, City and District, as shown on Exhibit 1 attached hereto, and, to this end, the Chief of the Littleton Fire Department shall utilize, to the best of his ability and judgement, the personnel and equipment at his disposal in order to provide this service. Currently the Littleton Fire Department carries a Class 4 rating as determined by the insurance service office. It is the intent of the City, Metro 1 and the District to maintain at least this rating or its equivalent and to maintain current levels of emergency response time.

The City, District and Metro 1 agree that in each successive year under this Agreement there will be sufficient fire stations, equipment and personnel provided so as to insure fire protection



1

services to the City, Metro Districts and the District. Service and fire protection services shall include fire protection, emergency medical services, emergency communication, fire prevention, fire inspection, education and related services.

In order to provide the levels of service as set forth herein, it is agreed that the equipment owned individually or jointly, now or in the future, by the District, the City and Metro 1 shall be integrated into one working fire protection service operation and shall be used in response to calls in the City, Metro Districts, and District as the Chief of the Littleton Fire Department may direct.

3. A. Preparation of Annual Operation Budget. The City Manager, on or before the 15th day of September in the year preceding the budget year shall submit the proposed budget (including expenditures for Capital Equipment for the Littleton Fire Department, Rolling Stock and participation in the South Metro Fire Training Academy) to the City Council, Metro 1, the District and the Review Committee established pursuant to Section 8 hereof. The Review Committee shall also receive the budget proposed by the Chief of the Fire Department. Subsequent to said submittal and prior to the adoption of a budget for the Littleton Fire Department by the Littleton City Council, the Committee shall review and make recommendations on or approve said budget. The City Manager shall provide the City Council with the Committee's recommendation and comments. The Committee will approve a proposed budget or any proposed change to the level of services by October 1 of each year. The City Manager shall submit the proposed budget of the Committee together with his proposed budget to the City Council which may, in its discretion, adopt a Budget (including increases for contractual agreements, inflation, emergencies and personal services from the previous year's budget) and changes to the level of service. The final budget shall be determined by the City Council, provided however, that no budget shall be recommended by the Committee or finally approved by the Council which would cause Metro 1 or the District to violate any provision of applicable State law limiting increases in a District's annual revenues.

If one or more of the parties desires a service that the other party or parties do not, but which can be provided separately to that party or parties, that service may be included by the requesting party or parties if they agree to fund one hundred percent of the cost of the additional service and provided that the City, by including the increased costs of the service in its budget, will not be caused to violate its revenue and spending limit under Article X, Sec. 20 of the Colorado Constitution (hereinafter referred to as "TABOR"), in which case the new or increased service will not be implemented unless a method can be established and agreed upon to provide the service in a manner that the City's TABOR limit shall not be exceeded.

B. Formula for Distribution of Costs of the Operating Budget Prior to the time the parties are required to certify mill levies to the Counties in which they operate, the percentage obligations of the City, the District and Metro 1, for the total amount of said budget shall be determined. The formula for determining this distribution is attached hereto as Exhibit A and made a part thereof. The most current available estimated assessed valuation shall be used in determining



the obligation under said formulas¹. Upon completion of said formula as shown in Exhibit A, and subject to the provisions of Section 3.A above, each party shall certify a mill levy to the appropriate counties which will provide sufficient revenue to fund each of their percentage obligations of the annual operating budget. Metro 1 and the District will pay over to the City, in four equal quarterly installments the amount of its percentage obligation. Each such installments shall be paid in the middle of each quarter for that quarter. Payments shall be made on February 15, May 15, August 15 and November 15.

C. Adjustments. Following the close of each calendar year, actual expenses for the operation of the Fire Department during that calendar year will be determined. Any adjustments required as a result of the determination of actual expenses and final assessed valuations shall be made by the City by recalculating the obligations in accordance with the formula set forth in Exhibit A. Notice of any adjustment shall be given by the City no later than March 31 and paid or credited by the appropriate party to the other no later than May 15.

D. Exclusions. Notwithstanding anything stated in this Section 3 to the contrary, if there are exclusions from the District caused by annexations to the City which, in any twelve (12) month period, have a cumulative valuation, based on the most recent county assessor records, as of the date of the applicable annexation ordinance(s), of ten percent (10%) or more of the most recent total valuation for assessment of the District, as certified by the appropriate assessor's offices, then the following procedures shall apply.

The formula for distribution of costs to the operating budget shall be adjusted by:

(1) Subtracting the number of calls (responses) during the prior five (5) years in the annexation area from the District portion (Section 2, Exhibit "A") and adding the calls to the City portion (Section 1, Exhibit "A").

(2) Adjusting, if necessary, the most current assessed valuation for City and District portions (Sections 1 and 2, Exhibit "A") to accurately reflect the City annexation and District exclusion.

4. Detail of Fire Department Budget. Metro 1 and District obligations for the various segments of the Fire Department Budget will be as follows:

A. General Operating Budget. Metro 1 and District will fund the general operating budget as detailed in 3B hereof which shall include all expenditures of the Fire Department under the titles "Personal Services," "Supplies," "Other services and Charges," and "Debt Service" (excluding debt service on fire stations), but not including "Capital Outlay" as reflected in the Fire

¹ In determining the obligations of the Metro Districts the entire assessed valuation for the Metro Districts and the Open Space Conservation Area (OSCA) shall be included.



Department budget, a copy and sample of which is attached hereto as Exhibit "B" for descriptive purposes only.

B. Capital Equipment Budget. Subject to the provisions of Section 3.A above, District shall pay forty percent (40%) of the cost of purchasing additional capital equipment for use within the City and District. If in the opinion of the Fire Chief, the District should purchase any capital equipment and the District accepts this opinion and purchases such capital equipment, the cost of said purchase shall be deducted from the 40% (forty percent) described in this paragraph.

The purchase of capital equipment for the Fire Department shall be at the sole discretion of the City.

Metro 1 shall pay to the City a sum equal to twenty percent (20%) of the Capital Equipment Budget. If in the opinion of the Fire Chief, capital equipment originally purchased by Metro 1 must be replaced, or new equipment purchased for the fire station(s) at Highlands Ranch, Metro 1 shall purchase the equipment and the cost of said purchase will be deducted from the twenty percent described in this paragraph.

Capital equipment are those items, other than fire engines, pumpers, rescue vehicles and other similar vehicles (referred to hereinafter as "Rolling Stock"), which cost more than \$2,500.00 and have an extended life expectancy (more than two years). A budget and detailed schedule and listing of said equipment shall be prepared and submitted in accordance with paragraph 3 (A) hereof.

C. Rolling Stock. Rolling Stock to be acquired shall be determined by the Chief of the Littleton Fire Department. Ownership and title to the Rolling Stock purchased by City and District shall be retained by them in undivided one-half interests. A schedule of jointly owned Rolling Stock heretofore purchased by the parties hereto pursuant to previous contracts and currently in operation is set forth in Exhibit "C" attached heretofore.

City and District shall equally share the cost of purchasing the required Rolling Stock (including but not limited to standard Littleton Fire Department apparatus inventory equipment) which shall operate out of City and District Stations.

Rolling Stock purchased by Metro 1 shall be owned separately by Metro 1.

Rolling Stock being maintained on Reserve Status or to be placed on Reserve Status shall be determined by the Parties at the meeting of September or July each year. Rolling Stock currently in Reserve Status is listed on Ex.C attached hereto. Ex. C shall be revised each year by the addition of Rolling Stock to be placed on reserve status and by deleting Rolling Stock which has been deleted from reserve status or otherwise disposed of.



D. Fire Stations. Except as otherwise agreed, each party shall retain ownership of the fire stations located within the party's boundaries. Each party is responsible for the construction and maintenance of fire stations within the party's boundaries.

E. Communications. The City provides fire and related emergency dispatch/communications services to the parties through its South Metro Communications Center (the "Center"). Expenses of the Center shall be billed to and paid by each party based upon calls made within each jurisdiction during the 12 month period from July 1 of the prior year through June 30 of the year in which the budget for the center is prepared.

5. Cost of Management. Management and administration of the Littleton Fire Department shall be handled by the City. District and Metro 1 shall pay annually to the City an amount equal to 6.12% of each of their respective shares of the total Fire Department budget (to include General Operating Budget and Capital Outlay Accounts, but excluding Capital Improvement Programs as defined and utilized in the City's budget) and the budget of the South Metro Communications Center to defray each of their share of Management and Administrative costs of the City. This management and administration fee shall be subject to periodic review by the Review Committee which may make recommendations as it deems appropriate to the City Manager and City Council.

6. Revenue Sharing. The parties shall share in any revenue generated or income received as a result of the provision of certain fire, emergency, and related services which they have individually contracted to provide to third parties. Except as otherwise provided herein, the parties agree that upon receipt of any such revenue or income from such third parties that each party shall pay to the other a portion of such revenue or income determined on the same basis as each party's share of the general operating budget pursuant to paragraph 4(A) above. Proceeds from the sale or disposition of capital equipment or Rolling Stock shall be shared in accordance with the percentage of contribution by the City, Metro 1 and District to purchase of said capital equipment or Rolling Stock. Notwithstanding anything in this paragraph to the contrary, if the City should establish the Fire Department or any division thereof as an enterprise under Article X, Section 20 of the Colorado Constitution, any revenue received as result of the Revenue Sharing described herein, shall be deposited to such enterprise and shall be used to reduce the annual operating budget of the Littleton Fire Department.

7. Insurance.

A. The expenses of insurance coverage (including self-insurance authorized by Sections 24-10-115 and 24-10-115.5, C.R.S., and Subsection E. herein) for all fire equipment and all fire stations shall be provided in the annual operating budget of the Fire Department.

B. The City shall use reasonable efforts to obtain procure and maintain: (1) for all fire stations owned by the City, Metro 1 or by District a policy of standard fire and all-risk coverage casualty insurance to the full replacement value of each fire station, together with a so-called



“inflation endorsement” in accordance with their ownership interest in the respective fire station; and (2) for all vehicles owned by the City and/or Metro 1, and/or District a policy of casualty insurance.

C. Current certificates evidencing the insurance provided for in this section shall be provided by the City to Metro 1 and District. The City shall, at least thirty (30) days prior to the expiration of such policies, furnish Metro 1 and District with renewal binders.

D. In the event the City is unable to obtain such insurance, Metro 1 and District shall use their best efforts to obtain the same, naming the other parties as additional insured, provided, however, the other parties shall either reimburse the insuring party for the premiums thereon or provide a credit for said premium through a budget adjustment pursuant to Section 3.C above, at the City's option.

E. Notwithstanding anything herein to the contrary the City may provide all or a portion of the coverage described above by self-insuring in the manner authorized by Sec. 24-10-115 and Sec. 24-10-115.5, C.R.S.

F. The Review Committee shall review insurance requirements periodically as it determines and make recommendations with regard to said coverage to the City Manager.

8. Review Committee.

8.1 A Review Committee shall be comprised of three (3) members and three (3) alternate members. The City Council shall appoint from its Council one member and one alternate member, the District Board shall appoint from its Board one member and one alternate member and the Metro District Board, shall appoint from one member and one alternate member. The appointments shall be made on or before thirty (30) days from the date of this Agreement by written notice to each party pursuant to Section 14 below. In the event any appointee's official status as an elected official to the office held at the time of appointment terminates then the appointment as a member or alternate member to the Committee shall automatically terminate.

8.2 Ex-Officio Committee Members. The City Manager, the Manager for Metro 1 and the Chief of the Department shall be ex-officio members of the Committee.

8.3 Term. The term of the members and the alternate members shall be two (2) years. The appointing authority shall be responsible for appointing new members and alternate members to fill two (2) year terms as member's terms expire. Vacancies shall be filled by the appointing authority for the unexpired term of any member or alternate member whose term becomes vacant. Written notice of appointments made under this Subsection 8.3 shall be made pursuant to Section 14 of this Agreement. The appointing authority which appointed a member or alternate member who has terminated or resigned shall appoint a new member or alternate member within thirty (30) days following the termination or resignation.



8.4 Voting and Quorum. Each member of the Committee shall have one (1) vote. If a member is not present at a meeting then the alternate member for said member shall have one (1) vote. A quorum of the Board shall consist of two (2) members or two (2) alternate members if members are not present, or a combination of one (1) member and one (1) alternate member (but not the alternate member for the member present). The affirmative vote of two (2) members, or two (2) alternate members, if members are not present, or one member and one (1) alternate member (but not the alternate member for the member voting) shall be required for the Committee to take any action.

8.5 Bylaws. The Committee shall adopt bylaws as necessary for the conduct of the Committee so long as such bylaws are not in conflict with the provisions of this Agreement.

8.6 Meetings. The Committee shall meet at least four times per year: on the fourth Thursday of March; in May (at approximately the time the Fire Chief has preliminary budget discussions with the City Manager); in July (at approximately the time the draft budget submittal is made to the City Manager); and in September (at approximately the time the proposed annual budget is submitted to the Littleton City Council) to discuss budget issues, level of service, and other issues which may arise. Additional meetings shall be held upon the vote of at least two representatives.

9. Term. This Agreement shall be in full force and effect from execution hereof until terminated as provided herein.

10. Termination. Any party may terminate this Agreement by giving written notice to the other parties twelve (12) months prior to the first day of January of the year in which the Agreement will be terminated.

Subsequently, the party giving notice of termination shall provide the other parties a complete itemization of all property owned by the parties as tenants in common, including a price for each item. The price shall be based on the estimate of reasonable value at the date on which the agreement is to be terminated.

All miscellaneous shared equipment will be divided between the parties based on negotiations; these negotiations shall necessitate itemization of all property owned by the the party or parties, including estimated price based on reasonable values.

In the event the parties shall fail to reach an agreement as to the division of the property, the parties shall each submit its respective proposal to a neutral arbitrator for a final determination. Said determination by the arbitration shall be binding on all parties.

Possessions of all personal and real property purchased under this paragraph shall not be delivered until the date of final termination which shall be on the first day of January of the year of



termination. Prior to the said termination date, all personal property shall be used by the City, Metro 1 and the District under the terms of this Agreement.

11. Amendments. If the City, Metro 1, and/or District desires to amend the terms of this Agreement, the party desiring to amend this Agreement shall give written notice of the intent to the other parties. Said written notice shall set forth the proposed amendment and shall designate the party or parties who will serve as the negotiating representatives for the party or parties giving said notice. Within fifteen (15) days from the date of receipt of said written notice, the party or parties receiving notice shall designate their negotiating representatives and shall inform the party giving said written notice of this choice. The negotiating representatives shall attempt, in good faith, to reach an agreement concerning the proposed amendment and if an agreement is reached, then said amendment shall be reduced to writing and executed on behalf of the City, Metro 1 and District.

12. District Inclusion -

Metro Districts or the District, at its discretion, may include any property where the outer boundaries of said property does not exceed a distance of five (5) miles from an existing fire station within the City-District-Metro Districts territory. Metro Districts or District may, with the prior approval of the City, include property where the outer boundaries of said property exceed a distance of five (5) miles from an existing fire station within the City-District-Metro Districts territory. The five mile limitation set forth herein shall not apply to the Open Space Conservation Area (OSCA) served by Metro 1 and depicted on Exhibit 1.

13. Existing Agreements. This agreement represents and integrates all prior discussions and representations of the parties with regard to uniform fire protection services and supersedes and repeals all agreements between the parties hereto, for or related to such services.

14. Notices. Any notice required or desired to be given pursuant to this agreement shall be in writing with copies directed as indicated and shall be personally served in the manner provided for personal service by the Colorado Rules of Civil Procedure in effect at the time of such service, or in lieu of personal service, by depositing same in the United States mail, postage prepaid, certified or registered, in which later event such notice shall be deemed delivered seventy-two (72) hours after same shall have been so deposited in the United States mail. Notices shall be sent:

City of Littleton
2255 West Berry Avenue
Littleton, Colorado 80165
Attn: City Manager

With a duplicate copy to:
Attn: City Attorney
2255 West Berry Avenue
Littleton, Colorado 80165

and:



Littleton Fire Protection District
2255 W. Berry Avenue
Littleton, Colorado 80120

With a duplicate copy to:
Ron Loser, Esq.
Brega & Winters, P.C.
One Norwest Center
1700 Lincoln Street, Suite 2222
Denver, Colorado 80203

and

Highlands Ranch Metropolitan District No. 1
62 West Plaza Drive
Highlands Ranch, Colorado 80126

With a duplicate copy to:
David J. Hahn, Esq.
Hahn, Smith & Walsh, P.C.
717 Seventeenth Street, Suite 1520
Denver, Colorado 80202-3315

Either District, Metro 1 or the City may change their respective address and/or the name and address of the person to receive a duplicate copy by giving written notice to the other in accordance with the provisions of this paragraph.


IN WITNESS WHEREOF, the parties have set their hands and seals on the day and year first above written.

ATTEST:

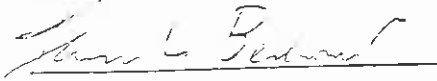


City Clerk

THE CITY OF LITTLETON

By: 

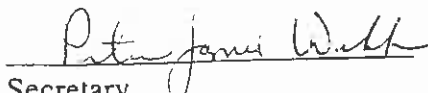
APPROVED AS TO FORM



City Attorney

ATTEST:

LITTLETON FIRE PROTECTION DISTRICT

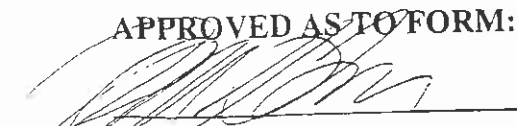


Secretary

By: 

President

APPROVED AS TO FORM:

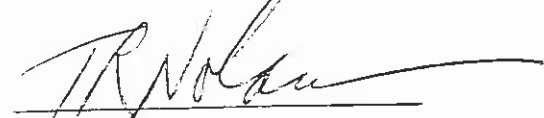


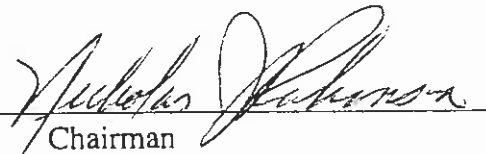
Attorney for District




ATTEST:

**THE HIGHLANDS RANCH
METROPOLITAN DISTRICT NO. 1**


Secretary

By: 
Chairman

APPROVED AS TO FORM:


Attorney for District

g:\wpfiles\agreements\firecontr dec



EXHIBIT "A"

FORMULA FOR DISTRIBUTION OF AMOUNT OF ANNUAL BUDGET BETWEEN CITY AND DISTRICT AND METRO 1:

1. CITY PORTION:

Total calls (responses in City during prior five year period, divided by total calls in City plus District plus Metro 1 during prior five-year period = City call percentage.

Total assessed valuation of City for period of operating budget, divided by total assessed valuation of City plus District plus Metro 1 for year of operating budget = City assessed valuation percentage.

City call percentage plus City assessed valuation percentage divided by 2 = percentage of operating budget to be assumed by City.

2. DISTRICT PORTION:

Total calls (responses) in District during prior five-year period divided by total calls in City plus District plus Metro 1 during prior five-year period = District call percentage.

Total assessed valuation of District for period of operating budget, divided by total assessed valuation of City plus District plus Metro 1 for year of operating budget = District assessed valuation percentage.

District call percentage plus District assessed valuation percentage divided by 2 = percentage of operating budget to be assumed by District.

3. METRO 1 PORTION

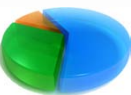
Note: Total calls (responses) for Metro 1 for each five-year period will be the previous year Metro 1 call total times five (x5). This will be changed to the actual sum of the previous five-year call total after the first consecutive three years when the call load increase does not exceed 10% annually. For purposes of calculating the Metro 1 share of total calls, when responses (calls) occurring on C-470 (within Metro 1 boundaries) exceed 10% of the total calls for Metro 1 during the year, those calls exceeding 10% will not be included in the total for budget calculation purposes; provided however, this exclusion for calls on C-470 will be eliminated when the provisions of the previous sentence are met.

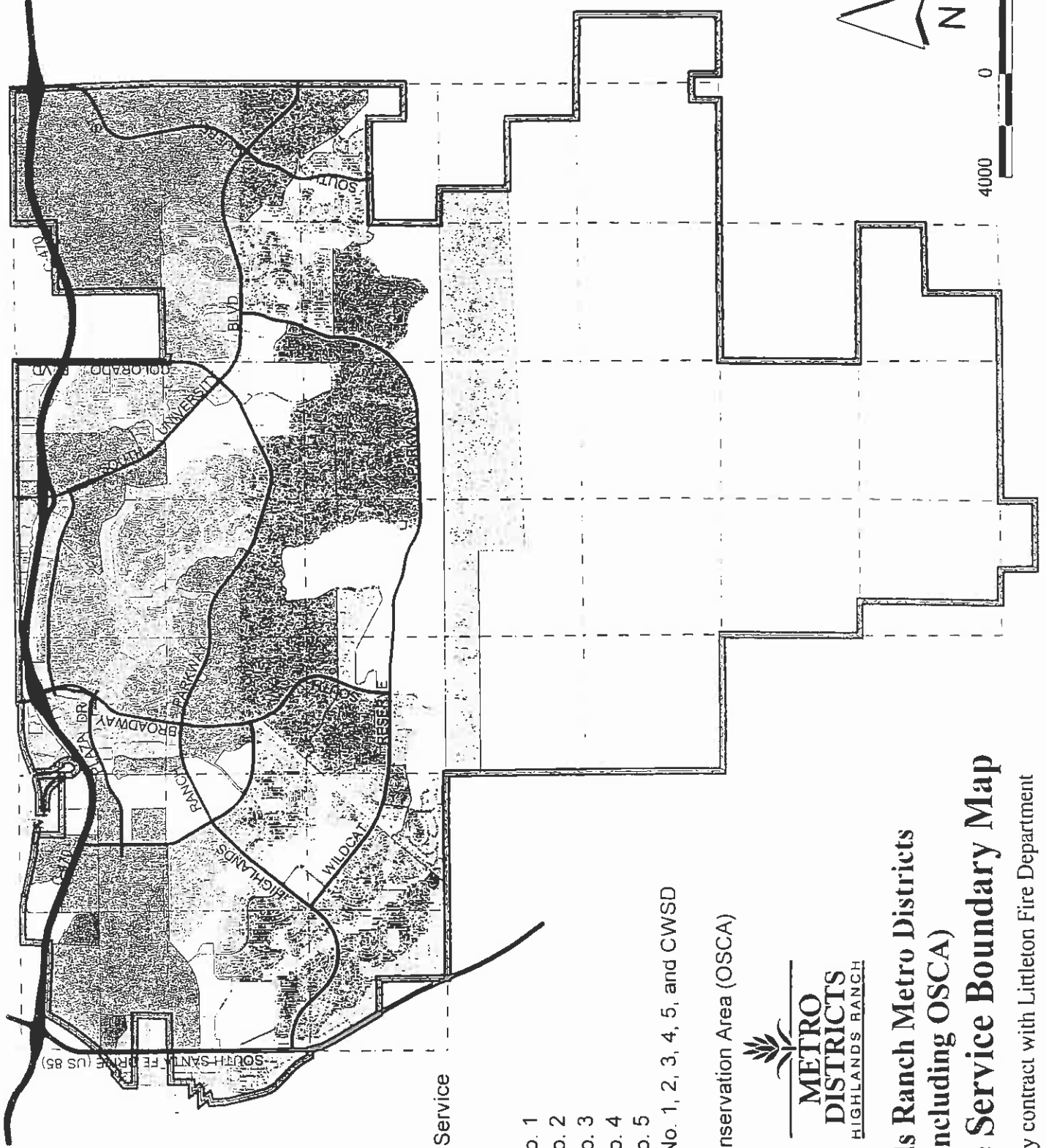


Total calls (responses) in Metro 1 during prior five-year period, divided by total calls in City plus District plus Metro 1 during prior five-year period = Metro 1 call percentage.

Total assessed valuation of Metro 1 for year of operating budget, divided by total assessed valuation of City plus District plus Metro 1 for year of operating budget = Metro 1 assessed valuation percentage. (The term "total assessed valuation of Metro 1," for purposes of the calculations required herein, shall include the total assessed valuation of the Highlands Ranch Metropolitan Districts No. 1, 2, 3, 4 and 5 and OSCA as shown on Exhibit 1.

Metro 1 call percentage plus Metro 1 assessed valuation percentage divided by 2 = percentage of operating budget to be assumed by Metro 1.





- Littleton Fire/Rescue Service Boundary Line
- RMD Boundaries
- Metro District No. 1
- Metro District No. 2
- Metro District No. 3
- Metro District No. 4
- Metro District No. 5
- Metro Districts No. 1, 2, 3, 4, 5, and CWSD
- Undeveloped
- Open Space Conservation Area (OSCA)



**Highlands Ranch Metro Districts
(including OSCA)
Fire/Rescue Service Boundary Map**

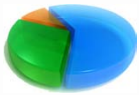
Service provided by contract with Littleton Fire Department



CITY OF LITTLE ROCK
DEPARTMENT BUDGET WORKSHEET

Fire Department (1221)

| Accl. No. | Sub | Description | 1997 Actual | 1998 Actual | 1999 Budget | 1999 Actual YTD | 1999 Estimate | 2000 Budget |
|--------------------------------|-----|---------------------------------|------------------|------------------|------------------|--------------------|------------------|------------------|
| Personal Services | | | | | | | | |
| 6010 | | Salary Regular | 5,360,394 | 5,744,801 | 6,975,415 | 3,133,413 | 6,975,415 | 7,121,301 |
| 6010 .1 | | Prior Year 12/31 Accrual | 163 | (364) | - | (131) | - | - |
| 6011 | | Salary-Contract Temporary | - | - | 394,000 | 255,514 | 394,000 | 430,000 |
| 6020 | | Salary-Overtime | 284,318 | 368,884 | - | (9,430) | - | - |
| 6020 .1 | | Prior Year 12/31 Accrual | 9,592 | (11,267) | - | 2,571 | 4,905 | 9,768 |
| 6030 | | Social Security | 5,016 | 5,174 | 4,905 | 57,799 | 122,903 | 215,228 |
| 6040 | | Workers Comp. Ins. | 99,116 | 106,084 | 122,903 | (701) | - | - |
| 6040 .2 | | Accrued Sick Leave Buyout | (979) | 471 | - | 306,653 | 587,596 | 522,986 |
| 6050 .1 | | Medical | 383,372 | 438,878 | 587,596 | 9,628 | 21,091 | 21,389 |
| 6050 .2 | | Life | 15,685 | 17,180 | 21,091 | 18,595 | 41,241 | 46,276 |
| 6050 .3 | | Disability | 31,654 | 33,798 | 41,241 | 26,873 | 47,050 | 48,002 |
| 6050 .4 | | Dental | 38,166 | 42,360 | 47,050 | 1,881 | 3,164 | - |
| 6060 | | ICMA Money Purchase | 3,201 | 3,027 | 3,164 | 258,891 | 546,656 | 678,747 |
| 6090 | | Fire Pension-New Hires | 365,365 | 432,093 | 546,656 | 29,110 | 31,590 | 34,301 |
| 6100 | | Uniform Cleaning Allowance | 26,219 | 28,306 | 31,590 | 47,496 | 135,237 | - |
| 6120 | | Fire Pension | 154,996 | 124,758 | 135,237 | 6,069 | 30,000 | 30,000 |
| 6130 | | Educational Benefits | 7,722 | 31,300 | 30,000 | 660 | 1,373 | 1,131 |
| 6140 | | ICMA Deferred Comp. | 1,258 | 627 | 1,373 | 2,957 | 6,103 | 6,491 |
| 6160 | | Unemployment Ins. | 4,812 | 5,216 | 6,103 | 28,096 | 53,520 | 98,159 |
| 6170 | | Medicare | 31,605 | 42,435 | 53,520 | (66) | - | - |
| 6170 .1 | | Prior Year 12/31 Accrual | 61 | (59) | - | 42,257 | - | - |
| 6180 | | Sick Leave Buyout | 70,930 | 18,609 | - | - | - | - |
| 6180 .1 | | Prior Year 12/31 Accrual | (1,689) | - | - | (39,367) | - | - |
| 6180 .2 | | Accrued Sick Leave Buyout | (55,000) | 26,474 | - | 4,179,428 | 9,001,844 | 9,263,779 |
| Total Personal Services | | | <u>6,835,977</u> | <u>7,458,785</u> | <u>9,001,844</u> | <u>4,179,428</u> | <u>9,001,844</u> | <u>9,263,779</u> |
| Supplies | | | | | | | | |
| 7110 | | Office Supplies | 3,570 | 3,686 | 4,000 | 1,954 | 4,000 | 4,000 |
| 7120 | | Janitorial Supplies | 6,094 | 6,944 | 7,200 | 5,092 | 8,660 | 8,800 |
| 7130 | | Chemicals | 1,950 | 2,365 | 4,000 | 507 | 2,400 | 2,400 |
| 7150 .1 | | Uniforms | 30,434 | 40,868 | 40,500 | 31,170 | 40,500 | 40,500 |
| 7150 .2 | | Protective Clothing | 28,984 | 50,490 | 42,045 | 27,095 | 42,045 | 63,525 |
| 7220 | | Bldg. Materials & Supplies | 2,927 | 2,541 | 4,500 | 2,515 | 4,500 | 4,500 |
| 7270 | | Small Tools | 1,096 | 1,042 | 1,800 | 919 | 1,800 | 2,629 |
| 7280 | | Books, Magazines, Subscriptions | 2,669 | 4,035 | 3,000 | 1,530 | 3,000 | 4,370 |



CITY OF LIT. LE., JN
DEPARTMENT BUDGET WORKSHEET

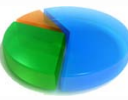
12/14/99 15 14

Fire Department (1221)

| Acct. No. | Sub | Description | 1997 Actual | 1998 Actual | 1999 Budget | 1999 Actual YTD | 1999 Estimate | 2000 Budget |
|-----------|-----|-----------------------------|----------------|----------------|----------------|--------------------|------------------|----------------|
| 7840 | | Office Equipment | - | 500 | - | - | - | - |
| 7840 .10 | | P.C. Hardware | 26,108 | 9,998 | 29,812 | 21,907 | 29,812 | 12,500 |
| 7840 .20 | | P.C. Software | - | 1,495 | - | - | - | - |
| 7850 | | Vehicles | - | - | 132,500 | 131,770 | 132,500 | - |
| 7860 | | Other Equipment | 154,161 | 207,552 | 79,542 | 66,842 | 79,542 | 17,200 |
| | | Total Capital Outlay | <u>180,269</u> | <u>219,545</u> | <u>266,854</u> | <u>220,519</u> | <u>266,854</u> | <u>29,700</u> |

Department Total

| | | | | | | | | |
|--|--|--|------------------|------------------|-------------------|------------------|-------------------|-------------------|
| | | | <u>7,611,758</u> | <u>8,396,634</u> | <u>10,013,456</u> | <u>4,858,943</u> | <u>10,020,083</u> | <u>10,164,869</u> |
|--|--|--|------------------|------------------|-------------------|------------------|-------------------|-------------------|



LITTLETON FIRE DEPARTMENT
VEHICLE INVENTORY

STAFF CARS

| | | | | |
|-----|-----------------------|----------------|-----------|------|
| 301 | BUREAU INVESTIGATIONS | CHEVY ASTRO | CITY/DIST | 1999 |
| 302 | FIRE MARSHAL | JEEP CHEROKEE | CITY/DIST | 1989 |
| 303 | EMS | JEEP CHEROKEE | CITY/DIST | 1993 |
| 304 | CADET | FORD RANGER | CITY/DIST | 1996 |
| 305 | BUREAU | DODGE PICKUP | CITY/DIST | 1999 |
| 306 | EMERGENCY SERVICES | DODGE DURANGO | CITY/DIST | 1999 |
| 307 | BUREAU | JEEP CHEROKEE | CITY/DIST | 1992 |
| 308 | COMMUNITY RELATIONS | JEEP CHEROKEE | CITY/DIST | 1991 |
| 309 | SUPPORT SERVICES | DODGE DURANGO | CITY/DIST | 1999 |
| 310 | TRAINING | CHEVY TAHOE | CITY/DIST | 1999 |
| 311 | BATTALION CHIEF | CHEVY SUBURBAN | CITY/DIST | 1996 |

ENGINE/SQURT

| | | | | |
|-----|--------------------|-------------|-----------|------|
| 315 | STATION #11 DIESEL | PIERCE | CITY/DIST | 1990 |
| 328 | STATION #12 DIESEL | HME/LUVERNE | CITY/DIST | 1998 |
| 335 | STATION #13 DIESEL | PIERCE | CITY/DIST | 1992 |
| 345 | STATION #14 DIESEL | PIERCE | CITY/DIST | 1993 |
| 355 | STATION #15 DIESEL | PIERCE | CITY/DIST | 1989 |
| 368 | STATION #16 DIESEL | PIERCE | CITY/DIST | 1993 |
| 375 | STATION #17 DIESEL | HME/LUVERNE | HRMD | 1998 |
| 385 | STATION #18 DIESEL | HME/LUVERNE | HRMD | 1998 |

RESERVE ENGINE/SQURT

| | | | | |
|-----|--------------------|------------|-----------|------|
| 327 | STATION #12 DIESEL | PIERCE | CITY/DIST | 1985 |
| 342 | STATION #17 DIESEL | FORD (FTI) | CITY/DIST | 1978 |
| 371 | STATION #18 DIESEL | PIERCE | HRMD | 1986 |

RESCUE

| | | | | |
|-----|--------------------|---------------|-----------|------|
| 313 | STATION #11 DIESEL | McCOY MILLER | CITY/DIST | 1998 |
| 324 | STATION #15 DIESEL | McCOY MILLER | CITY/DIST | 1996 |
| 334 | STATION #13 DIESEL | WHEELED COACH | CITY/DIST | 1994 |
| 384 | STATION #18 DIESEL | McCOY MILLER | HRMD | 1998 |

RESERVE RESCUE

| | | | | |
|-----|----------------------|---------------|-----------|------|
| 323 | STATION #16 DIESEL | WHEELED COACH | CITY/DIST | 1987 |
| 333 | STATION #17 GASOLINE | WHEELED COACH | CITY/DIST | 1986 |

UTILITY VEHICLES

| | | | | |
|------------------|----------------------|-------------------|-----------|------|
| 314 | STATION #14 DIESEL | TECHNICAL RESCUE | CITY/DIST | 1988 |
| 343 | STATION #16 GASOLINE | DIVE RESCUE | CITY/DIST | 1978 |
| 372 | STATION #18 GASOLINE | BRUSH TRUCK | HRMD | 1980 |
| 396 | STATION #11 | TRAILER/GOLF CART | LFPD | 1999 |
| 397 ^a | STATION #11 DIESEL | SVI HAZ MAT | CITY/DIST | 1992 |
| 398 | STATION #18 HAULMARK | TRAILER PUBLIC ED | LFPD | 1993 |
| 399 | SERVICE CTR GAS | GMC SIERRA | CITY/DIST | 1991 |



City of Littleton

City Attorney
2255 West Berry Avenue
Littleton, Colorado 80165
303-795-3725
FAX 795-3818

June 2, 2000

our
copy

David Hahn
Hahn, Smith & Walsh, P.C.
717 Seventeenth Street
Suite 1520
Denver, Colorado 80202

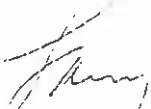
Re: Fire Protection Agreement

Dear Dave:

Enclosed please find six copies of the recently approved agreement for Fire Protection Services between the City of Littleton, the Littleton Fire Protection District and the Highlands Ranch Metropolitan Districts. The agreements have been executed by the City of Littleton and the Littleton Fire Protection District and are now being transmitted to you for execution by the Highlands Ranch District officials. Would you please obtain the signatures as required, date each of the agreements as of the date of signing by Highlands Ranch and return four fully executed copies to me, keeping one each for you and the Highlands Ranch Metropolitan District. Upon receipt, I will transmit two copies to the Littleton Fire Protection District and Ron Loser for their files.

Thank you very much for your cooperation. If you have any questions, please call.

Very truly yours,



Larry W. Berkowitz
City Attorney

c: Jim Woods, City Manager
Bill Pessemier, Fire Chief



Exhibit 2 Water and Wastewater Services Agreement



HIGHLANDS RANCH WATER AND WASTEWATER AGREEMENT

THIS HIGHLANDS RANCH WATER AND WASTEWATER AGREEMENT ("Agreement") is entered into this 18th day of December, 1990, by and between Centennial Water and Sanitation District, a quasi-municipal corporation organized under the laws of the State of Colorado ("Centennial"), whose address is 62 West Plaza Drive, Highlands Ranch, Colorado 80126, and Highlands Ranch Metropolitan District No. 1, a quasi-municipal corporation organized under the laws of the State of Colorado (the "District"), whose address is 62 West Plaza Drive, Highlands Ranch, Colorado 80126.

I. GENERAL INTENT

1.1 Both Centennial and the District are governmental subdivisions of the State of Colorado formed pursuant to Title 32, Article 1, C.R.S., and may cooperate with one another and contract to provide services lawfully authorized to each of them pursuant to Title 29, Article 1, Part 2, C.R.S..

1.2 Pursuant to a Service Plan approved by the Douglas County Commissioners and filed with the District Court in Douglas County, Colorado, in Civil Action No. 80CV123, Centennial has sufficient water supply, water treatment facilities, wastewater treatment facilities, water transmission facilities, and wastewater collection facilities to serve Highlands Ranch and provide services as set out herein.

1.3 Centennial and the District are desirous of entering into an agreement whereby Centennial will supply to the District water and wastewater services at the rates established herein, subject to the conditions set forth herein and the District will accept water and wastewater services at the rates established herein subject to the conditions set forth herein.

1.4 If the District, without cooperating with any other party, were to acquire and construct facilities to provide water and wastewater service in the amount of and to the level anticipated by this Agreement, acquisition and construction costs of the District would be substantially greater than the costs of sharing capacity in larger facilities.

1.5 Centennial, pursuant to its Service Plan has designed facilities to supply all of Highlands Ranch, which results in a reduction of costs from efficiencies due to line sizing and facility acquisition. Centennial agrees to reserve to the District sufficient capacity in its lines and facilities presently built, or to be built, to allow the District to provide water and wastewater service within its boundaries at a cost for said reserved capacity based upon the estimate of services needed and construction costs. This agreement recognizes the estimated costs will vary from time to time as actual construction costs become available or facilities are added or deleted in the future. The

December 18, 1990

Page 1



need for service may also vary as the properties within the District Service Area develop.

1.6 The covenants and conditions of the present and future bond issues do and will require Centennial to set rates, tolls, fees, charges, and taxes sufficient to pay its indebtedness. This Agreement reserves Centennial's flexibility to set rates, tolls, fees, charges, and taxes to comply with its bond covenants. The rates charged by Centennial to the District will be based upon Centennial's other sources of income, the total cost of construction, the costs of operating its facilities, maintenance of the lines and facilities, a reasonable replacement reserve for the lines and facilities, present and anticipated debt service, cost of water supply, and various other actual or reasonably anticipated direct or indirect expenditures of Centennial ("Actual Costs").

II. DEFINITIONS

2.1 Centennial Facilities. "Centennial Facilities" shall mean the water and wastewater system which Centennial has acquired or shall acquire or construct and own and operate as set forth in a periodic Facility Plan to be adopted by Centennial's Board.

2.2 District Facilities. "District Facilities" shall mean the water and wastewater system which the District has acquired or shall acquire or construct and own and operate.

2.3 District Service Area. "District Service Area" or "Service Area" shall mean the developable real property located within the boundaries of the District and approved for service by Centennial.

2.4 Points of Connection. "Points of Connection" shall mean the points at which the Centennial Facilities and the District Facilities connect. Centennial and the District shall maintain a map specifically identifying the Points of Connection.

III. TERMS AND CONDITIONS OF SERVICE

3.1 Construction of District Facilities. The District shall provide in its Rules and Regulations a requirement that all plans for any facility which will be supplied service by Centennial, shall be submitted to the District and Centennial at least 10 days prior to the start of construction. The District will install, at no expense to Centennial, the District Facilities.

3.2 Highlands Ranch Standard Specifications. The Highlands Ranch Standard Specifications as approved by Centennial shall be the minimum standards for construction of all water and wastewater facilities. No such facility shall be connected to Centennial Facilities until it has been inspected and approved by Centennial. The parties hereby agree that the Highlands Ranch Standard Specifications, as amended from time to time, shall govern the construction,

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connection, disconnection, repair, and maintenance of any water or wastewater line or facility.

3.3 Easements. All water and sanitary sewer facilities which are to be dedicated to the District shall be located within a dedicated roadway or easement in accordance with the Highlands Ranch Standard Specifications.

3.4 Engineering Costs. The District shall reimburse Centennial for all direct engineering expenses incurred by Centennial in reviewing any plans or specifications and inspecting any District Facilities.

3.5 Record Drawings. Completed as-built record drawings, construction drawings showing actual installation shall be furnished by the District to Centennial for its records within ninety days of construction completion.

3.6 Connections.

a. The District agrees that all connections of the District Facilities to Centennial Facilities shall require approval by Centennial, and shall be made in full compliance with the current rules and regulations of Centennial, the Colorado State Board of Public Health and the Environmental Protection Agency. To the extent a conflict exists, the more restrictive rules and regulations shall apply.

b. The District agrees that prior to connection of any residential, commercial, industrial or other nonresidential customer, ten (10) days notice shall be given to Centennial and shall be accompanied by exhibits which clearly state the anticipated amounts, type, and concentration of wastewater to be produced, together with the estimated daily water usage, the proposed use of the property and any other information required by Centennial's Industrial Pretreatment Program.

c. The District agrees that all service connections are subject to inspection by Centennial.

d. Centennial reserves the right to refuse to allow a connection to its system or the District's system which Centennial determines, in its discretion, will cause a violation of Federal or State regulations or statutes, or damage, overburden, overload, or overtax the capacity of the treatment, transmission, or collection facilities.

e. It is further agreed that if any of the District Facilities do not function properly, or if sewers constructed as District Facilities permit excess inflow or infiltration of surface or ground waters, the District will, at no expense to Centennial, cause the repair or rebuilding of such District Facilities according to plans and specifications approved by Centennial. Centennial reserves the right to inspect all construction and monitor the operations, and maintenance of all the District Facilities during the term of this Agreement. To the extent any damage to District Facilities is caused by

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the negligent maintenance or repair of Centennial it will be repaired by Centennial and the costs will be included in Centennial's rates, tolls, fees and charges.

f. Except as provided in subsection e, the District will hold Centennial harmless from any and all claims arising directly or indirectly out of the exercise of the authority contained in Section 3.6.

3.7 License. It is agreed that the water and wastewater service furnished by Centennial does not constitute utility service, but is a license to use the water and wastewater services of Centennial, and does not constitute ownership in Centennial's Facilities or water rights. All other clauses of this Agreement notwithstanding, it is agreed that Centennial retains the right to the use of the capacity of all Centennial Facilities not hereby contracted for, including capacity purchased by the District but not yet required by the District. Nothing herein shall be construed as giving the District or its customers the right to be placed in a class more favorable than other Districts or their customers located elsewhere within Highlands Ranch.

3.8 Acts of God. Centennial shall not be responsible or liable in any way for acts of God or any other act or acts beyond the control of Centennial which may in any way cause an interruption or discontinuance of the water or wastewater service provided for hereunder.

IV. ACCEPTANCE OF SERVICE

4.1 Service Provided. Centennial shall supply or cause to be supplied potable water to the District and subject to Section VI shall accept for treatment and shall treat or cause to be treated and shall dispose of or cause to be disposed of, all wastewater that may be delivered to it by the District in accordance with the terms of this Agreement.

4.2 Total Service Basis. Centennial is obligated to provide service to the District on a Total Service Basis until January 1, 1992. Under the Total Service Basis, all water, wastewater and billing services are provided by Centennial. Centennial is responsible for operation and maintenance of District Facilities. The Total Service Basis shall be automatically extended for successive four year periods, unless and until the District notifies Centennial that it desires to change the type of service provided. Such notice shall be given no later than 6 months prior to the end of the term.

Centennial will bill, on behalf of the District, the District's customers the Water and Wastewater Service Rates adopted by the District and all payments made by the District customers will be remitted directly to the District.

Centennial will issue hydrant meter permits and bill direct to the customer for water consumed pursuant to that permit based upon Centennial's Water and Wastewater Service Rates set forth in Exhibit A. All revenue received from

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such billings will belong to Centennial.

4.3 Metered Service Basis. It is understood and agreed that the District may, at its option, elect to operate on a Metered Service Basis. Under the Metered Service Basis, the District will install and maintain, at no cost to Centennial, adequate water and wastewater meters at mutually agreeable places so as to properly measure and record the total quantity of all water or wastewater flowing through the Points of Connection. Necessary quality determinations shall also be made at such Points of Connection from time to time. Cost of maintenance of metering equipment shall be borne by the District. In the case of failure of a meter, volume shall be estimated by Centennial upon the basis of a comparable period, adjusted by the number of users, as determined by Centennial.

If the District elects to operate on Metered Service Basis, the District shall assume all responsibility for the operation and maintenance of the District Facilities. The District will provide its own billing service and Centennial will provide the water or wastewater service requested by the District at rates established by Centennial pursuant to this agreement.

In the event the District has been operating on a Metered Service Basis and elects to operate on a Total Service Basis, Centennial reserves the right to surcharge the District for maintenance costs on District facilities. These costs shall be to evaluate, inspect and bring District Facilities to Centennial's standards, if required. The determination of the required measures to bring District Facilities into compliance shall be at the sole discretion of Centennial.

4.4. Billing. The District is responsible for payment to Centennial for all services provided by Centennial to the District or its customers.

V. RATES, TOLLS, FEES AND CHARGES

5.1 Reserved Capacity. The parties agree that the District has paid or will pay for the right to have available water and wastewater service for the number of residential units and developable nonresidential acres designated on Exhibit B. Centennial will not reserve any capacity for any developed parcel in excess of the lesser of the amount actually paid for or the amount used by that parcel.

The Reserved Capacity Cost is the total amount paid or to be paid for reserved capacity shown on Exhibit B. Exhibit B will be amended on October 1 of each year to reflect any adjustments resulting from replattings, zoning changes, inclusions or exclusions of land or changes in the total number of residential dwelling units to be built or nonresidential taps used or to be used within the District.

5.2 Capacity Fee. The Capacity Fee is calculated by taking the total cost of construction (which includes the costs incurred plus the estimated costs



to complete Centennial Facilities) and distributing that cost among various classes of present and future Centennial customers using the "Base-Extra Capacity Method" of cost allocation which is a method of allocation of facility costs into two components: base capacity cost and extra capacity cost. The current Capacity Fees are set forth on Exhibit A, which shall be calculated and updated by July 1 each year to be effective on October 1. The method of calculation may be amended from time to time by the parties to this agreement.

Base capacity costs are capital costs associated with service to customers under average load conditions, without the elements necessary to meet water-use variations and resulting peaks in demand. Base capacity costs include capital costs for water and sewage plant investment associated with serving the classes of customers to the extent required for a constant, or average, annual rates of use.

Extra capacity costs are costs associated with meeting rate-of-use requirements in excess of average, and include the capital costs associated with additional plant and system capacity beyond that required for average rate of use.

The Capacity Fee for each class of user is the sum of the base and extra capacity costs allocated to each class of users divided by the total number of customers in each class, so that when all the facilities are built and all of the customers connected the total base and extra capacity costs will be paid in full.

5.3 Determination of Reserved Capacity Cost for Undeveloped Property. To more nearly conform adjustments in payments to the budget process, the fiscal year for the determination of the yearly Reserved Capacity Cost payments or refunds shall be October 1 to September 30. At the time of execution of this agreement and at every October 1 thereafter, an amount of Reserved Capacity Cost for Undeveloped Property within the District Service Area, shall be determined according to the requirements of this paragraph 5.3.

Platted Residential Property The Reserved Capacity Cost for Undeveloped Platted Residential Property shall be the then current Residential Capacity Fee times the total number of undeveloped dwelling units shown on the plat. Undeveloped dwelling units are those units which have not been connected to the system.

Unplatted Residential Property The Reserved Capacity Cost for Undeveloped Unplatted Residential Property shall be the then current Residential Capacity Fee times the number of undeveloped dwelling units estimated for the property based upon the then current Highlands Ranch Planned Community District Development Plan Zoning Map.

Undeveloped Nonresidential Property The Reserved Capacity Cost for Undeveloped Nonresidential Property shall be the then current Non-residential 3/4" Meter Capacity Fee times the number of acres times two



for all undeveloped urban nonresidential property.

5.4 Payment of Reserved Capacity Cost to Centennial. The amount of Reserved Capacity Cost for all property within the District Service Area to be paid and the timing of said payment shall be as follows:

a. The amount of unpaid Reserved Capacity Cost shall be determined as follows:

1. Residential Classes

The unpaid Reserved Capacity Cost for all residential property within the District Service Area as of October 1 shall be the amount calculated pursuant to Section 5.3 plus the amount of Reserved Capacity Cost attributable to developed residential dwelling units (those residential dwelling units placed in service prior to October 1) less the amount of Reserved Capacity Cost payments previously remitted to Centennial prior to October 1. As used in this section 5.4, attributable means the amount of Reserved Capacity Cost at the time each parcel of property was placed in service.

2. Nonresidential Classes.

The unpaid Reserved Capacity Cost for all nonresidential property within the District Service Area shall be the amount calculated pursuant to Section 5.3 plus the amount of Reserved Capacity Cost attributable to nonresidential property based upon actual meter sizes placed in service prior to October 1 less the amount of Reserved Capacity Cost payments previously remitted to Centennial prior to October 1. The amount of the unpaid Reserved Capacity Cost for nonresidential property may be negotiated prior to October 1 of each year except that at all times the total amount of Reserved Capacity Cost attributable to nonresidential property placed in service must be remitted. In the absence of a negotiated agreement, the unpaid Reserved Capacity Cost shall be as defined in this subsection a.2.

3. Public Classes.

All Public Classes. The unpaid Reserve Capacity Cost to be charged for land zoned for use by or used by any Highlands Ranch Exempt Organization as set forth in Exhibit A shall be zero.

b. Prior to receipt by Centennial of Reserve Capacity Cost payments in the amount of \$7,500,000 from the District, the District shall pay one hundred percent of the unpaid Reserved Capacity Cost as calculated in Section 5.4a the



following April 1.

c. After the receipt by Centennial of Reserved Capacity Cost payments in the amount of \$7,500,000 but, prior to the receipt of \$15,000,000 of Reserved Capacity Cost payments from the District, the District shall pay one hundred percent of the unpaid Reserved Capacity Costs the following April 1 if the unpaid Reserved Capacity Costs for all residential and nonresidential properties within the District Service Area as of October 1 is less than \$250,000. To the extent that the unpaid Reserved Capacity Costs exceed \$250,000 the District shall pay the following April 1 \$250,000 plus fifty percent of the unpaid Reserved Capacity Costs in excess of \$250,000.

c. After the receipt by Centennial of Reserved Capacity Cost payments in the amount of \$15,000,000 from the District, the District shall pay one hundred percent of the unpaid Reserved Capacity Costs the following April 1 if the unpaid Reserved Capacity Costs for all residential and nonresidential properties within the District Service Area as of October 1 is less than \$100,000. To the extent that the unpaid Reserved Capacity Costs exceed \$100,000 the District shall pay the following April 1 \$100,000 plus forty percent of the unpaid Reserved Capacity Costs in excess of \$100,000.

5.5 Adjustments to the Reserved Capacity Cost. Until placed in service, the Reserved Capacity Cost for any parcel of property will be adjusted from time to time to reflect changes in the Capacity Fees, rezoning of property within the District, the platting of previously unplatted lands, the replatting of any property, and the development of urban nonresidential property.

In the event the Reserved Capacity Fees change prior to the time any payment is made under Section 5.4, the Reserved Capacity Fee shall be adjusted accordingly and the amount of increase shall be added to from the next payment due.

5.6 Surcharge. Centennial has and will construct facilities as they are needed to provide water and wastewater service required by the District. The annual cost of actually providing those services may exceed the fees initially paid by the District. Therefore Centennial reserves the right to institute a reasonable surcharge to the Capacity Fee to allow it to meet its requirements and the District agrees to pay any such surcharge imposed by Centennial pursuant to this paragraph. The present surcharge is set forth on Exhibit A. Future surcharges may be changed by Centennial on 90 days notice to the District.

5.7 Rates. The District shall pay monthly for all water and wastewater services furnished within the District's Service Area which have been billed according to and at the rates and timing established by Centennial on Exhibit A. Said rates shall be uniform to all Highlands Ranch Metropolitan Districts and shall bear a reasonable relation to the Actual Cost of providing such service as determined by Centennial in its sole discretion. Water and sewage service rates may be adjusted upon ninety (90) days' notice to the District or as of January 1 if said rate adjustments were considered as part of the public hearing

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on the adoption of Centennial's budget.

Centennial shall charge, and the District shall pay, said water and wastewater service rates as presently shown on Exhibit A and determined from time to time by Centennial by resolution.

5.8 Late Payment. In the event any payment due under this agreement is not paid when due, the District shall pay interest on such amounts. The interest shall be the greater of the net effective interest rate paid by Centennial on all of its outstanding bonds or the current 20 year bond index.

5.9 District Charges. Nothing herein shall prevent the District from imposing its own rates, tolls, fees or charges, including tap fees, water and sewer service charges, penalties and/or surcharges or other revenue-raising devices permitted by law, with respect to properties within its boundaries; provided however that water rates charged by the District to its customers shall not be less than the rates charged by Centennial to the District for similar classes of users. In order to demonstrate compliance with this section, the District shall be required to account for all rates, tolls, fees or charges, including Tap Fees in a separate fund in the District's financial and accounting records. This fund shall not be the General Fund of the District.

VI. WASTEWATER SERVICE

6.1 Wastewater Standards. The quality and quantity of domestic and non-domestic wastewater delivered to Centennial by the District shall be in conformance with the more restrictive of the then current Rules and Regulations of Centennial, of the Colorado Department of Health and of the United States Environmental Protection Agency.

6.2 Industrial Pretreatment Program. Centennial and the District are required by the Environmental Protection Agency and the Colorado Department of Health to regulate the quantity and quality of non-domestic wastewater delivered to Centennial's P.O.T.W. the District hereby delegates to Centennial all authority necessary and desirable to implement and administer an Industrial Pretreatment Program. Centennial is authorized to issue any and all permits or orders to the customers of the District, which Centennial deems necessary or desirable to enable it to fully implement and administer an Industrial Pretreatment Program.

In the event Centennial in its sole discretion, believes that the integrity of its P.O.T.W. is threatened, or that a violation of local, state or federal regulations has occurred or is about to occur, Centennial make take whatever emergency action it deems necessary to prevent such occurrence, including but not limited to disconnection of any customer of the District from the District Facilities at any point convenient to Centennial.

6.3 Limits on Wastewater. The District agrees that hereafter all wastewater generated by the District or its customers pursuant to and in



compliance with this agreement will be discharged to Centennial and District shall not re-use or otherwise dispose of any wastewater without the written permission of Centennial which written permission shall not be unreasonably withheld.

6.4 Inspection. In the event Centennial has reason to believe that any wastewater being delivered is not in compliance with this agreement, Centennial may call for an inspection, by television or otherwise, of the wastewater lines. The cost for the inspection will be paid by the District if the discharge is not in compliance and by Centennial if the discharge is in compliance.

6.5 Remedies. If any discharge occurs contrary to the limitations provided in this Agreement, the District agrees to do whatever is necessary to meet the limitations of this Agreement before discharging wastewater to Centennial's facilities, and in case of its failure to do so after reasonable written notice thereof, Centennial may take whatever corrective action is reasonably necessary and the District agrees to pay the expense thereof.

VII. WATER SERVICE

7.1 General. Centennial agrees to use every reasonable means to furnish a continuous supply of water uniformly to all of its Customers to enable the District to furnish an adequate supply of water to its customers.

Both parties to this agreement recognize that the water supply for the Denver Metropolitan Area is dependent upon sources which are variable in quantity and beyond the control of Centennial. No liability shall attach to Centennial hereunder on account of any failure to accurately anticipate availability of water supply or because of an actual failure of water supply due to occurrences beyond the reasonable control of Centennial. Centennial agrees to construct and devote adequate facilities to make available to the District a permanent water supply so far as reasonably possible. Centennial agrees that it will not obligate itself to furnish a greater amount of water than it can reasonably anticipate will be available.

7.2 Priority to Use. The District agrees that Centennial may uniformly limit the use of water by its customers in times of water shortage in the following order of priority:

- a. First, restriction or rationing of those uses, which will not cause serious injury to person or property and the prohibition of non-essential uses;
- b. Second, prohibition of irrigation except for commercial greenhouses which will be appropriately surcharged;
- c. Third, prohibition of every use except for domestic use and essential enterprises and industries which will be appropriately surcharged;



- d. Fourth, prohibition of all use except domestic use;
- e. Fifth, further restriction or rationing of domestic use.

7.3 Enforcement of Rules and Regulations. The parties to this Agreement recognize in the other the right to enforce their respective rules and regulations and neither shall interfere with the other in the enforcement of those rules and regulations.

7.4 Limits on Supply to Its Customers. The District agrees that hereafter it will supply no water to its customers within the District Service Area except that secured from Centennial, nor will the District make or permit any connection whatsoever to any other supply without the written permission of Centennial which permission shall not be unreasonably withheld.

7.5 Ownership, Use, and Reuse of Water. The right to use all water furnished hereunder is owned by Centennial and is provided for the sole use of the District and its customers. Such right to use water by the District and its customers does not include any right to make a succession of uses of such water, and upon completion of the primary use by the District or its customers, all dominion over the water uses reverts completely to Centennial. All property rights, if any, to the water to be furnished by Centennial hereunder are reserved to Centennial.

VIII. MISCELLANEOUS

8.1 Term of Agreement. This Agreement shall be for a term of forty (40) years, subject to earlier termination pursuant to the provisions of this Agreement; provided, that in the event that either Centennial or the District shall be dissolved, this Agreement shall terminate upon the effective date of such dissolution.

8.2 Defaults by the District. A default by the District shall exist if the District shall fail to pay when due any amounts due hereunder, or shall fail to comply with any agreement term, covenant or condition in this Agreement applicable to the District, and such breach, failure to pay or failure to comply shall continue for a period of thirty (30) days after notice thereof given by Centennial to the District, or, if such breach or failure to comply cannot reasonably be cured within such thirty (30) day period, if the District shall not in good faith commence to cure such breach or failure to comply within such thirty (30) day period, and shall not diligently proceed therewith to completion.

8.3 Specific Performance. Provided it is not in default hereunder, either party may enforce its rights under this Agreement by specific performance under the laws of the State of Colorado.

8.4 Disconnection. If the District is in default as provided in paragraph 8.2, Centennial may, in addition to any other remedies set out in this



agreement, give the District notice in writing thereof and may disconnect service one year thereafter. During said one-year period, Centennial may deny the District the right to make any additional connections to either Centennial's or the District's Facilities. If this Agreement is terminated under this provision, the District's rights hereunder shall terminate and the District shall have no claim or right of any kind against Centennial or its Facilities.

8.5 Compliance with Laws. Both parties agree that in performing their respective obligations under this Agreement, they shall each comply with all laws, rules, regulations, ordinances and orders of any governmental authority having jurisdiction.

8.6 Notices. All notices under this Agreement shall be in writing, signed by the party giving the same and shall be deemed properly given and received when actually delivered at the address set forth in the first paragraph of this Agreement.

8.7 Entire Agreement. This Agreement and any attachments or schedules referred to herein constitute the final complete expression of the parties' agreements with respect to their respective rights and obligations, except to the extent that this Agreement may later be amended by instrument in writing. Each party agrees that it has not relied upon or regarded as binding any prior agreements, negotiations, representations or understandings, whether oral or written, except as expressly set forth herein.

8.8 No Third-Party Beneficiaries. None of the terms, conditions or covenants contained in this Agreement shall be deemed to be for the benefit of any person, customer or user not a party hereto.

8.9 Assignability. Neither party may assign its rights or delegate its obligations under this Agreement without the prior written consent of the other party.



December, 19 90, by Hope Wood as
Chairman of Highlands Ranch Metropolitan District No. 1.

Witness my hand and official seal.

My Commission Expires: 11-13-93.

Carol J. Dupont
Notary Public



Exhibit 3 Consolidation Resolutions



HIGHLANDS RANCH METROPOLITAN DISTRICTS NO. 1
RESOLUTION NO. 05-141

A RESOLUTION OF THE BOARD OF DIRECTORS OF HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 1 CONCURRING IN THE CONSOLIDATION OF HIGHLANDS RANCH METROPOLITAN DISTRICTS NO. 1, 2, 3 AND 4.

WHEREAS, the Board of Directors of Highlands Ranch Metropolitan District No. 3 has, pursuant to the authority granted by C.R.S. Section 32-1-602(2) adopted a Resolution initiating the consolidation of special district, which Resolution is attached hereto as Exhibit A, and

WHEREAS, the Board of Directors of Highlands Ranch Metropolitan District No. 1 agrees with and concurs in that Resolution.

NOW, THEREFORE, be it resolved by the Board of Directors of Highlands Ranch Metropolitan District No. 1:

1. The Board of Directors of Highlands Ranch Metropolitan District No. 1 agrees with and concurs in Paragraphs 1-8 inclusive of that Resolution, Exhibit A.
2. The consolidation of Highlands Ranch Metropolitan District No. 1 into Highlands Ranch Metropolitan District No. 3 (Metro 3) shall be contingent upon the following:
 - a. The qualified electors of Highlands Ranch Metropolitan District Nos. 1, 2, 3 and 4 approving the consolidation into Metro 3.
 - b. The qualified electors of Metro 1, Metro 2, Metro 3 and Metro 4 approving the assumption of all of their outstanding general obligation debts by the Consolidated Highlands Ranch Metropolitan District No. 3 and that all of the other assets, obligations and liabilities of each of the Consolidating District become the assets, liabilities and obligations of the Consolidated Highlands Ranch Metropolitan District No. 3 to be paid by all of the taxpayers of the Consolidated Highlands Ranch Metropolitan District No. 3.
 - c. The qualified electors of Metro 3 voting to limiting the mill levy authorized to be levied by the Consolidated District against all the taxable property within the Consolidated District to 20.282 mills, the mill levy on the date of this Resolution, or if it is a lesser amount, the amount imposed in December, 2005 for the first year and for the following years a mill levy based upon the provisions of TABOR applied to all of the taxable property within the Consolidated Metro 3, but only if the qualified electors of Metro 1, 2, 3 and 4 approve question 2b and 2c above.

Adopted this 27th day of September, 2005

Ayes 5 Nays 0 Abstained 0 Absent 0

Certified by *[Signature]*, Secretary

CERTIFIED TO BE A TRUE AND CORRECT COPY OF THE ORIGINAL DOCUMENT WHICH IS IN MY POSSESSION.

[Signature]
Secretary



HIGHLANDS RANCH METROPOLITAN DISTRICTS NO. 2
RESOLUTION NO. 05-147

A RESOLUTION OF THE BOARD OF DIRECTORS OF HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 2 CONCURRING IN THE CONSOLIDATION OF HIGHLANDS RANCH METROPOLITAN DISTRICTS NO. 1, 2, 3 AND 4.

WHEREAS, the Board of Directors of Highlands Ranch Metropolitan District No. 3 has, pursuant to the authority granted by C.R.S. Section 32-1-602(2) adopted a Resolution initiating the consolidation of special district, which Resolution is attached hereto as Exhibit A, and

WHEREAS, the Board of Directors of Highlands Ranch Metropolitan District No. 2 agrees with and concurs in that Resolution.

NOW, THEREFORE, be it resolved by the Board of Directors of Highlands Ranch Metropolitan District No. 2:

3. The Board of Directors of Highlands Ranch Metropolitan District No. 2 agrees with and concurs in Paragraphs 1-8 inclusive of that Resolution, Exhibit A.
4. The consolidation of Highlands Ranch Metropolitan District No. 2 into Highlands Ranch Metropolitan District No. 3 (Metro 3) shall be contingent upon the following:
 - a. The qualified electors of Highlands Ranch Metropolitan District Nos. 1, 2, 3 and 4 approving the consolidation into Metro 3.
 - b. The qualified electors of Metro 1, Metro 2, Metro 3 and Metro 4 approving the assumption of all of their outstanding general obligation debts by the Consolidated Highlands Ranch Metropolitan District No. 3 and that all of the other assets, obligations and liabilities of each of the Consolidating District become the assets, liabilities and obligations of the Consolidated Highlands Ranch Metropolitan District No. 3 to be paid by all of the taxpayers of the Consolidated Highlands Ranch Metropolitan District No. 3.
 - c. The qualified electors of Metro 3 voting to limiting the mill levy authorized to be levied by the Consolidated District against all the taxable property within the Consolidated District to 20.282 mills, the mill levy on the date of this Resolution, or if it is a lesser amount, the amount imposed in December, 2005 for the first year and for the following years a mill levy based upon the provisions of TABOR applied to all of the taxable property within the Consolidated Metro 3, but only if the qualified electors of Metro 1, 2, 3 and 4 approve question 2b and 2c above.

Adopted this 27th day of September, 2005

Ayes 4 Nays 0 Abstained 1 Absent 0

CERTIFIED TO BE A TRUE AND CORRECT
COPY OF THE ORIGINAL DOCUMENT
WHICH IS IN MY POSSESSION.

Certified by

Secretary



HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 3
RESOLUTION NO. 05-149

A RESOLUTION OF THE BOARD OF DIRECTORS OF HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 3, PROPOSING THE CONSOLIDATION OF HIGHLANDS RANCH METROPOLITAN DISTRICTS NOS. 1, 2, 3 AND 4

WHEREAS, the Board of Directors of Highlands Ranch Metropolitan District No. 3 (the District), pursuant to the authority granted by C.R.S. Section 32-1-602(2), may adopt a resolution initiating the consolidation of special districts.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 3:

1. Highlands Ranch Metropolitan District No. 1 (Metro 1), Highlands Ranch Metropolitan District No. 2 (Metro 2) Highlands Ranch Metropolitan District No. 3 (Metro 3) and Highlands Ranch Metropolitan District No. 4 (Metro 4) are so situated that all may operate effectively and economically as a consolidated metropolitan district.

2. Metro 3 declares that one or more service of each of the districts may be operated effectively and economically as a consolidated district.

3. The Board of Directors of Metro 3 declares that the public health, safety, prosperity, and general welfare of the inhabitants of the District will be better served by the consolidation of such districts and/or services.

4. The proposed name of the consolidated Metro 3 shall be the Highlands Ranch Metropolitan District.

5. The districts to be consolidated into Metro 3 are Metro 1, Metro 2, and Metro 4.

6. The services to be consolidated into the consolidated District are those services currently authorized to be provided by each of the individual districts.

7. Upon concurrence with this resolution by each of the other three Metro Districts, the staff of Metro 3 is directed to follow the process set out in C.R.S. 32-1-602 and 603, in calling for consolidation elections.

8. The board of the consolidated district shall have seven directors.

9. The consolidation shall be contingent upon Metro 1, Metro 2 and Metro 4 agreeing to this resolution by adopting a concurring resolution and by the qualified electors of Metro 1, Metro 2, Metro 3 and Metro 4 approving the following two questions:



HIGHLANDS RANCH METROPOLITAN DISTRICTS NO. 4
RESOLUTION NO. 05-151

A RESOLUTION OF THE BOARD OF DIRECTORS OF HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 4 CONCURRING IN THE CONSOLIDATION OF HIGHLANDS RANCH METROPOLITAN DISTRICTS NO. 1, 2, 3 AND 4.

WHEREAS, the Board of Directors of Highlands Ranch Metropolitan District No. 3 has, pursuant to the authority granted by C.R.S. Section 32-1-602(2) adopted a Resolution initiating the consolidation of special district, which Resolution is attached hereto as Exhibit A, and

WHEREAS, the Board of Directors of Highlands Ranch Metropolitan District No. 4 agrees with and concurs in that Resolution.

NOW, THEREFORE, be it resolved by the Board of Directors of Highlands Ranch Metropolitan District No. 4:

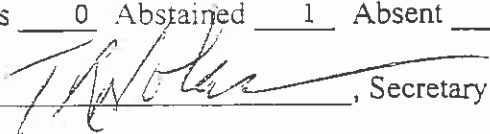
5. The Board of Directors of Highlands Ranch Metropolitan District No. 4 agrees with and concurs in Paragraphs 1–8 inclusive of that Resolution, Exhibit A.
6. The consolidation of Highlands Ranch Metropolitan District No. 4 into Highlands Ranch Metropolitan District No. 3 (Metro 3) shall be contingent upon the following:
 - a. The qualified electors of Highlands Ranch Metropolitan District Nos. 1, 2, 3 and 4 approving the consolidation into Metro 3.
 - b. The qualified electors of Metro 1, Metro 2, Metro 3 and Metro 4 approving the assumption of all of their outstanding general obligation debts by the Consolidated Highlands Ranch Metropolitan District No. 3 and that all of the other assets, obligations and liabilities of each of the Consolidating District become the assets, liabilities and obligations of the Consolidated Highlands Ranch Metropolitan District No. 3 to be paid by all of the taxpayers of the Consolidated Highlands Ranch Metropolitan District No. 3.
 - c. The qualified electors of Metro 3 voting to limiting the mill levy authorized to be levied by the Consolidated District against all the taxable property within the Consolidated District to 20.282 mills, the mill levy on the date of this Resolution, or if it is a lesser amount, the amount imposed in December, 2005 for the first year and for the following years a mill levy based upon the provisions of TABOR applied to all of the taxable property within the Consolidated Metro 3, but only if the qualified electors of Metro 1, 2, 3 and 4 approve question 2b and 2c above.

Adopted this 27th day of September, 2005

Ayes 4 Nays 0 Abstained 1 Absent 0

CERTIFIED TO BE A TRUE AND CORRECT COPY OF THE ORIGINAL DOCUMENT WHICH IS IN MY POSSESSION.



 Secretary



**Exhibit 4 Intergovernmental Agreement among
Highlands Ranch Metropolitan District Nos. 1, 2, 3, 4,
and 5**



JOINT AMENDED HIGHLANDS RANCH METROPOLITAN DISTRICTS AGREEMENT
DATED THE 19th DAY OF DECEMBER, 1989

THIS AGREEMENT ("Agreement") is made this 19th day of December, 1989, by and between HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 1, a quasi-municipal corporation organized under the laws of the State of Colorado ("Highlands 1"), whose address is 62 W. Plaza Drive, Highlands Ranch, Colorado 80126; HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 2, a quasi-municipal corporation organized under the laws of the State of Colorado ("Highlands 2"), whose address is 62 West Plaza Drive, Highlands Ranch, Colorado 80126; HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 3, a quasi-municipal corporation organized under the laws of the State of Colorado ("Highlands 3"), whose address is 62 West Plaza Drive, Highlands Ranch, Colorado 80126; HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 4, a quasi-municipal corporation organized under the laws of the State of Colorado ("Highlands 4"), whose address is 62 West Plaza Drive, Highlands Ranch, Colorado 80126; HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 5, a quasi-municipal corporation organized under the laws of the State of Colorado ("Highlands 5"), whose address is 62 West Plaza Drive, Highlands Ranch, Colorado 80126 (collectively referred to as "Party District" or "Party Districts");

WITNESSETH:

WHEREAS, the Party Districts, and other Highlands Ranch Metropolitan Districts are governmental subdivisions of the State of Colorado organized pursuant to Title 32, Article I, C.R.S. 1973, as amended, and may cooperate and contract with one another to provide functions, services, and facilities lawfully authorized to each of them including the sharing of costs and the imposition of taxes pursuant to Title 29, Article I, Part 2, C. R. S. 1973 and Article XIV, Section 18 (2) (a) of the Colorado Constitution, as amended; and

WHEREAS, pursuant to each Party District's Service Plan approved by the Douglas County Commissioners and filed with the District Court in Douglas County, Colorado, it is contemplated that Highlands 1 would construct and maintain specific facilities as a part of an overall system of landscaped arterials, fire protection, storm drainage, parks, and other facilities necessary to serve the entire Highlands Ranch as is more fully set forth in the Highlands Ranch Overall Facility Plan designated Exhibit "A" (hereinafter referred to as "Overall Facilities") and as appropriate designed and constructed to uniform specifications as set out in the Highlands Ranch Construction Specification, Standard Plans, Design Criteria, designated as Exhibit "B". Both of said Exhibits are on file in the office of the Secretary of Highlands 1; and



WHEREAS, it is not intended that this agreement provide for water and sewage services. Water and sewage service is provided for under an agreement between each Party District and Centennial Water and Sanitation District; and

WHEREAS, each Party District has issued or will issue general obligation bonds for the construction of a portion of the Overall Facilities within its boundaries on the basis that said constructed facilities will become a part of the Overall Facilities; and

WHEREAS, the design, construction, scheduling, and total costs of such Overall Facilities would have been substantially different if they were to be constructed without considering overall needs and coordinated construction; the availability of the Overall Facilities in such a coordinated and timely fashion will better promote the health, safety, prosperity, security, and general welfare of the inhabitants and property owners of all of the Highlands Ranch Metropolitan Districts and of the people of the State of Colorado that the availability of facilities designed and constructed only to serve specific small portions of Highlands Ranch; and

WHEREAS, it is the purpose of this Agreement to bind the Party Districts hereto concerning capital expenditure and operation and maintenance expenses so that the cost of providing Metropolitan District services to the entire Highlands Ranch development area as designated on Exhibit C will be shared equitably by the users of said facilities and services under the numerous circumstances which could occur in the future; and

WHEREAS, each of the Party Districts hereto have issued or will issue general obligation bonds and the authorizing resolutions will agree to set rates, charges, fees, and levy taxes sufficient to pay the principal and interest on said Bonds as they become due; and

WHEREAS, the amounts of said bond issues by any Party District are and will be based upon estimates of the capital costs of construction of portions of the Overall Facilities as they are and will be needed at specific future times, and said estimates form the basis for determining what would be a fair and equitable distribution of those capital construction costs among the various Party Districts to this Agreement; and

WHEREAS, it is the intent of the various Party Districts to this Agreement to contract based upon the present estimates of capital construction costs and scheduled needs and thereafter make appropriate adjustments in the fair and equitable distribution of those costs as they become fixed by determination of the actual costs of construction; and



WHEREAS, the various Party Districts to this Agreement agree that the provision of services and the operation and maintenance of the Overall Facilities by Highlands 1 to be financed by a uniform mill levy imposed for those purposes would reduce the cost thereof; and

WHEREAS, to the extent that the rates, charges, fees, and taxes imposed by the various Party Districts are uniform throughout the Highlands Ranch Development Area, the potential for interdistrict competition to encourage less desirable development will be minimized.

ARTICLE I. GENERAL INTENT

1.1 NOW, THEREFORE, based upon the best estimates available at this time, the Party Districts agree as follows:

A. If a Party District, without cooperating with any other Party, were to acquire and construct that portion of the Overall Facilities located within its boundaries, the costs of such acquisition and construction could be substantially greater than that District's fair and equitable share of the costs of such portion of the Overall Facilities as is provided in this Agreement.

B. If a Party District, on the other hand, acquired and constructed only its fair and equitable portions of the Overall Facilities, the needs of the inhabitants and property owners of that District and the other Highlands Ranch Metropolitan Districts would not be properly served. The purpose of this Agreement is to facilitate the construction of all of the Overall Facilities to meet the needs of the inhabitants and property owners of all of the Highlands Ranch Metropolitan Districts without requiring the inhabitants and property owners of any Party District to pay more than their Fair and Equitable Share of the costs of the Overall Facilities as is provided in this Agreement.

C. If a dispute arises as to the intent of any provision of this Agreement, the intent expressed in this provision shall apply. If a dispute arises concerning whether or not the procedures set forth in Sections 2.1 through 2.8 of this Agreement arrive at a fair and equitable distribution of Overall Facility costs or how those facilities will be constructed and financed as set forth in Section 3.1 through 3.4, the procedures specified in those Sections shall apply.

D. The covenants and conditions of the present and future bond issues of the parties do and will require each of them to establish system development fees and taxes sufficient to pay the indebtedness of each of them. This Agreement is intended to



grant to the Parties flexibility in setting said fees and taxes to comply with those bond covenants and the requirements of this Agreement. This Agreement further provides for additional services or facilities as the Board of Directors of any Party District may deem appropriate.

ARTICLE II. DEFINITIONS AND EFFECT OF DEFINITIONS

2.1 Definition of the Basic Systems Development Fees

The Basic Systems Development Fee to be imposed upon the undeveloped land remaining within Highlands Ranch for the payment of the unpaid portion of the cost of construction of the Overall Facilities on a per acre basis is computed as follows: The sum of the actual expenditures to construct Overall Facilities, and the estimated costs of design and construction of the unbuilt Overall Facilities, less the Basic Systems Development Fees collected, divided by the total number of undeveloped acres within the Highlands Ranch Development Area. As used in this Agreement, the following phrases shall have the following meanings:

A. "Actual Expenditures" means the total capitalized costs for any facility or portion of the Overall Facilities as the term capitalized costs is used under generally accepted municipal accounting practice applied uniformly by each Party District;

B. The total "Estimated Costs" of Overall Facilities will be determined by a majority vote of all of the Party Districts and if a majority is unable to agree within ten (10) days, the estimated costs shall be determined by arbitration as set forth in Section 5.1. The estimated costs of the portion of Overall Facilities located in each District will be determined on a uniform basis by a representative of the District in which such portion will be constructed;

C. "Undeveloped Acres" means the total acreage within the Highlands Ranch Development Area, as designated in Exhibit "C" which may from time to time be modified, but with respect to which no Basic Systems Development Fee has been collected. For the purposes of this definition, land designated as non-urban on Exhibit "C" shall not be included within undeveloped acres.

2.2 Establishing or Amending Basic Systems Development Fee

The procedure for establishing or amending the Basic Systems Development Fee shall be as follows:

A. Each year each Party District's Treasurer shall serve on the Basic Systems Development Committee. Each Party District may, at its option, designate someone other than the Treasurer to serve on the Committee.



B. The Basic Systems Development Committee shall collect information from each District Party to the Agreement as to:

1. All Actual Expenditures made by each Party District as of December 31, of the proceeding year for facilities which were in the Overall Facility Plan.

2. The Estimated Cost of facilities in the Overall Facility Plan to be constructed after December 31 of the preceding year.

3. The total number of developed and Undeveloped Acres as of June 30 of the current year within the boundary of each Party District.

4. The amount of Basic Systems Development Fees collected by each District Party to the Agreement through June 30 of the current year.

C. The Party Districts shall agree on the total Overall Facilities for Highlands Ranch and the cost thereof as of September 30 of the current year to be included in the Overall Facility Plan.

D. Using the above information, the Basic Systems Development Committee shall calculate the Basic Systems Development Fee. The method of calculating the Basic Systems Development Fee is described in the Agreement.

E. The Basic Systems Development Fee as established shall become effective April 1 of the following year unless another date is otherwise agreed upon by the Party Districts.

F. Any Party District objecting to the determination of the Basic Systems Fee may prior to January 1 of that year submit its objection to arbitration as provided in Section 5.1, but the Basic Systems Development Fee as determined by the Committee shall become effective as provided in Subsection D and E above and remain in effect during the arbitration procedure.

G. Each Party District shall have the right to determine how the Basic Systems Development Fee per acre is allocated to specific parcels of residential property for the purpose of converting a per acre fee to a fee per residential unit.

H. Each Party District shall have the right to surcharge the Basic Systems Development Fee to pay for any additional facilities that each Party District's Board of Directors desires to construct.



2.3 Fair and Equitable Share of Overall Facilities

Each District's Fair and Equitable Share of Overall Facilities Costs for each 12-month period commencing January 1 shall be computed as follows:

The Basic Systems Development Fee effective on January 1 of that year, times the total Undeveloped Acres within the District on said June 30 of the previous year, plus the Basic Systems Development Fees collected within that District as of said June 30.

2.4 Estimate of Interdistrict Obligation

An estimate of each District's Interdistrict Obligation shall be computed as follows:

The sum of the Actual Expenditures for Overall Facilities constructed by each District and the Estimated cost of completing the remaining unbuilt Overall Facilities within that District, less that District's Fair and Equitable Share of Overall Facilities as computed under Section 2.3.

If the computation in the preceding paragraph results in a negative amount for a particular District, that District (Obligor District) will have an obligation to pay to other Party Districts for Overall Facility costs equal to the amount arrived at by said computation. If said computation results in a positive amount, other Party Districts will have an obligation to that District (Obligee District) equal to the amount arrived at by said computation.

2.5 Actual Interdistrict Obligations

A. On December 31 if any Party District has incurred Actual Expenditures in excess of the amount equal to that District's Fair and Equitable Share of Overall Facility Costs, an Interdistrict Obligation to pay the amount of said excess, plus interest thereon as calculated in 2.5 C. 2. below, shall become effective and owing.

B. A Party District, which by the calculation in Section 2.4, will be an Obligor District shall meet its Interdistrict Obligation in one of the following methods:

1. The District may at any time fund part or all its outstanding obligation by payment into the Interdistrict Construction Account as provided in Section 2.5 D or by payment for construction of facilities located within another District if the other District is and after said payment will be an Obligee District.



2. Until the time that the District has elected to fund the entire remaining balance of its obligation under Section 2.5 B.1 above its Board of Directors shall increase its Basic Systems Development Fee to cover its interest obligation arising from Section 2.5 A above and each District does hereby assign an appropriate percentage of its Basic Systems Development Fee to the payment of its obligation. The assignment to various Obligee Districts is on the same basis as set out in Section 2.5 D.

C. Each Obligor District's appropriate percentage of its Basic Systems Development Fee shall be computed as follows:

1. One Hundred Percent (100%) less the ratio of the sum of Actual Expenditures for Overall Facilities constructed within that District and the Estimated Cost of completing the remaining Overall Facilities within that District, to that District's Fair and Equitable Share of the Overall Facilities as computed under Section 2.3, but only if the result is a positive number.

2. The Basic Systems Development Fees assigned under Section 2.5 shall be increased to include interest from the time the Interdistrict Obligation becomes effective and owing until paid, at a rate equal to the greater of the Obligee District's average net effective interest rate on all its bonded indebtedness, or the net effective interest rate on its latest series of bond indebtedness, plus two percentage points.

D. Interdistrict Construction Accounts shall be established by Obligee Districts at the time any Party District has an obligation to pay and elects to fund that obligation under Section 2.5 B above. Amounts paid into each said account will be in proportion to each Obligee District's share in the total anticipated Interdistrict Obligations owing to all Obligee Districts at the time of payment. Funds deposited to any Interdistrict Construction Account shall be used to construct Overall Facilities or payment of indebtedness incurred to construct Overall Facilities and shall not be expended for any other purpose.

2.6 Fixing the Basic Systems Development Fees

At the time a District has incurred Actual Expenditures or has funded the Interdistrict Construction Account, or a combination thereof, which includes funding the Interdistrict Obligation calculated under Section 2.5, in a total amount equal to that District's Fair and Equitable Share of Overall Facilities Costs as set forth in Section 2.3, the amount of the Basic Systems Development Fee then in effect shall be the amount used for the purposes of Sections 2.1, 2.3, 2.4, and 2.5 as the Basic Systems Development Fee for the property within that District at that time and that District's Interdistrict Obligation shall be deemed paid,



whether or not the amount of the Basic Systems Development Fee changes thereafter. If after a Basic Systems Development Fee becomes fixed that District includes additional land, a new District Fair and Equitable Share of Overall Facilities will be calculated to determine whether the Basic Systems Development Fee shall remain fixed or not. For the purposes of Section 2.1, the calculations shall be made as though the Basic Systems Development Fee fixed pursuant to this section had been paid on all undeveloped land within the District except that the Basic Systems Development Fee then in effect shall apply to the land just included.

2.7 Impact on New Party Districts/Inclusions Within Existing Districts

The provisions of Section 2.1 through 2.6 shall apply to any District that becomes a Party District to this Agreement in the same manner as if said District had been a Party District from the original date of this Agreement. The provisions of Section 2.2 through 2.6 shall apply to Districts that include property within their boundaries in the same manner as if the included property had been within the boundaries of the District from the original date of this Agreement, except that previously collected Basic Systems Development Fee shall be taken into account.

2.8 Uniformity of Basic Systems Development Fees

It is the specific intent of this Agreement and the Party Districts hereto agree that the Basic Systems Development Fee as established as provided herein shall each be substantially uniform throughout the entire Highlands Ranch Development Area and as the Basic Systems Development Fee is changed or amended from time to time those changes or amendments shall likewise be substantially uniform. However, each Party District shall have the right to surcharge its Systems Development Fee but only to the extent of the costs of facilities within its boundaries it desires to construct which are in addition to the Overall Facilities as set forth in Exhibit "A" and for interest thereon.

ARTICLE III. CONSTRUCTION

3.1 Each Party District to this Agreement has the obligation to construct all unbuilt Overall Facilities within the boundaries of that District as those boundaries may change from time to time. Construction of Overall Facilities shall be accomplished in substantial conformance to the Highlands Ranch Construction Specifications, Standard Plans, Design Criteria as is more fully set forth in Exhibit "B".

3.2 Any Party District desiring to construct any portion of the Overall Facilities (Originating District) shall, prior to commencing construction of such portion, have completed the following:



A. Prepare the Plans and Specifications. Said Plans and Specifications shall be for the complete portion of the Overall Facilities to be constructed. Complete portion means the entire cross-section of the facility as shown in Exhibit "A". For example, if the facility is an arterial street, then the entire width must be designed; if the facility is a storm drainage facility, then the entire width of the storm channel must be designed.

B. Submit those Plans and Specifications to each party District (Receiving District) for comments and approval. If no written objection is received from a Receiving District within 15 days after submission, the Plans and Specification shall be deemed approved by that District. Objections shall be limited to whether the Plans and Specifications are for facilities identified in Exhibit "A" or designed pursuant to specifications in Exhibit B. Those objections that are unresolved between the Districts within 30 days of submission by the Originating District shall be resolved by arbitration pursuant to Section 5.1.

C. Notify the Receiving District or Districts the amount, if any, that the construction of that portion of the Overall Facilities by the Originating District together with the Actual Expenditures for and Estimated Cost of the other portion of the Overall Facilities to be built by this Originating District will result in an Interdistrict Obligation as set forth in Section 2.4.

D. Notification pursuant to Section 3.2 C. is required if either Originating District or the Receiving District has chosen to operate on an individual service basis pursuant to Section 4.2. To the extent the Districts are operating on a total service basis with a common staff all notification provisions of Article III are assumed to be satisfied.

3.3 After approval of the Plans and Specifications or resolution of objections pursuant to Section 3.2 B. the Originating District may proceed to construct facilities within Highlands Ranch as follows:

A. Construction of facilities within the boundaries of the Originating District or outside the boundaries of any existing District:

1. If the estimated expenditures for construction of the proposed facilities together with other expenditures or commitments made by the Originating District do not result in an Interdistrict Obligation as set forth in Section 2.4 for the Originating District, the District may proceed to construct and pay for said facilities.



2. If the estimated expenditures for construction of the proposed facilities together with other expenditures or commitments made by the Originating District do result in an Interdistrict Obligation as set forth in Section 2.4, the Originating District must notify the Receiving Districts of its respective estimated Interdistrict Obligations at the time the Plans and Specifications are submitted. If any Receiving District owing an Interdistrict Obligation desires to fund it pursuant to Section 2.5 B.1., it shall notify the Originating District within 30 days of receipt of the Plans and Specifications. The Receiving District may proceed pursuant to law to construct and pay for said facilities if it chooses to. If no Receiving District notifies the Originating District of its intent to fund, or if the Receiving District chooses to fund the Interdistrict Construction Account, the Originating District may proceed pursuant to law to construct and pay for said facilities.

B. Construction of facilities totally within a Receiving District or partially within the Originating District and partially within the Receiving District.

1. An Originating District can propose construction of facilities within a Receiving District only if that construction is part of the System of Overall Facilities constructed within the Originating District and is necessary for the proper use of the Overall Facilities within the Originating District or is required to be constructed as a condition of platting of an area of land within the Originating District by the Board of County Commissioners of Douglas County.

2. The Originating District must first allow the Receiving District within which the proposed facilities are located the opportunity to bid and construct, or participate with the Originating District for construction of the facilities located within the boundary of the receiving District.

3. If the Receiving District within which the proposed facilities are located elects not to participate, and the Originating District is or will become an Obligee District and the estimated expenditures for construction of the proposed facilities together with other expenditures or commitments made by the Originating District do result in an Interdistrict Obligation as set forth in Section 2.4, the Originating District must notify the Receiving Districts of its respective estimated Interdistrict Obligations at the time the Plans and Specifications are submitted. If any Receiving District owing an Interdistrict Obligation desires to fund it pursuant to Section 2.5 B.1., it shall notify the Originating District within 30 days of receipt of the Plans and Specifications. The Receiving District may proceed pursuant to law to construct and pay for said facilities if it chooses to.



If no Receiving District notifies the Originating District of its intent to fund, or if the Receiving District chooses to fund the Interdistrict Construction Account, the Originating District may proceed pursuant to law to construct and pay for said facilities.

4. If the Receiving District within which the proposed facilities are located elects not to participate and the Originating District is an Obligor District as set forth in Section 2.4 it may proceed pursuant to law to construct and pay for said facilities.

C. The District funding the construction of Overall Facilities shall receive credit for said payment under the provisions of Article II. Joint funding of projects will be credited based on their net contribution to the projects.

3.6 The Overall Facilities as set forth in Exhibit A are in many instances general in nature and are not necessarily specifically located. As the Board of County Commissioners of Douglas County approves final plats or amendments thereto for parcels of property within the Highlands Ranch Development Area and location and sizing of Overall Facilities affected thereby will be finally determined. For the purposes of this Agreement, Exhibit A, as amended by the requirements of such final plats, will constitute the Highlands Ranch Overall Facilities Plan.

3.7 The Party Districts hereto specifically agree that the construction of any of the Overall Facilities by any Party District hereto at any time is subject to the supervision and inspection by any other Party District hereto.

ARTICLE IV. OPERATION AND MAINTENANCE EXPENDITURES AND REVENUES

4.1 Highlands 1 agrees to operate and maintain the Overall Facilities within and without its boundaries and in addition agrees to supply management and administrative services, fire protection, emergency care services, street sweeping, snow removal and other services permitted by law, in accordance with the terms of this Agreement.

4.2 It is understood and agreed that the other Party Districts may, at their individual option, elect to operate either on a total service basis as Electing Districts, or on an individual basis. If a total service basis is chosen, Highlands 1 will be responsible for the provision of services set forth in Section 4.1 and the operation and maintenance of the Overall Facilities and will provide such services and operate and maintain the Overall Facilities as one system. It will also calculate a uniform mill levy to be collected from that portion of Highlands Ranch within the Electing Districts sufficient to pay the costs related thereto.



A. Highlands 1 agrees to provide such total service as specified in an Operation and Maintenance Master Budget ("Master Budget") for the next calendar year. A preliminary Master Budget shall be submitted to each Party District ten days prior to the due date of budget estimates as required by law. Said Master Budget shall show the total expenditures with a reasonable breakdown including, but not necessarily limited to: the cost for personal services and a schedule showing the number of employees; cost of materials and supplies, utilities and purchased services; and cost of equipment and maintenance expenses.

B. The submitted Master Budget shall be for a standard uniform level of services throughout that portion of Highlands Ranch within the Electing District. For purposes of this Agreement, standard uniform level of services throughout Highlands Ranch shall permit differences in service levels between developed and undeveloped areas, but differences in service levels between developed areas in Highlands 1 and other Party Districts shall be minimized.

C. Party Districts other than Highlands 1, shall have fourteen (14) days to object, in writing, to specific items contained in the Master Budget.

1. If the objection is that services are not uniform, the matter shall be submitted to arbitration within ten (10) days of receipt of the written objection, in accordance with the procedure set forth in Section 5.1 and shall, if necessary, be corrected in accordance with the findings of the arbitration proceeding.

2. If the objection is to the level of services, the matter shall be determined by a majority vote of the previously Electing Districts and Highlands 1. For purposes of this subparagraph, majority means a majority of the previously Electing Districts and Highlands 1 (each District having one vote) and a plurality of the assessed value within all Districts, each District voting its total assessed value. Any District shall be entitled to supplement the services and operation and maintenance within that District, if it desires, at the discretion of the Board of Directors of that District.

3. All Electing Districts and Highlands 1 shall agree to the Master Budget on or before thirty (30) days of the submittal of the Master Budget pursuant to Section 4.2A. Any District not so electing may annually contract to be provided services, operation and maintenance on a mutually agreed to individual basis.

D. 1. Within three (3) days of receipt of the certification of total valuation for assessment from the County



Assessor's office for the year prior to the budget year being considered, each party District shall submit its total, actual valuation for assessment to each Party District, which figures, together with other factors agreed to by the Party Districts, shall be used for establishing an adjusted assessed value for the determination of each Party District's estimated share of the next calendar year's Master Budget.

2. The share of an Electing District's or Highlands 1's obligation for Master Budget costs for the next calendar year on the total service basis is the ratio of its adjusted, assessed value to the total adjusted, assessed value of all Electing Districts agreeing to the total service basis, including Highlands 1. It is understood that the anticipated revenues from general obligation taxes may not be sufficient to pay an Electing District's or Highlands 1's share and in that event, the Board of Directors of the Electing District may use other available funds to pay its share.

3. Within three (3) days of receipt from each Party District of the certification of total valuation for assessment for the then current budget year from the County Assessor's office, Highlands 1 shall recompute the amount of each Party District's share of the Master Budget costs for that calendar year and notify each Party District whether the estimated amount being paid by said Party District was in excess or less than the actual amount owing. Each Party District shall then budget for the following year the amounts necessary to be paid or be repaid due to the calculation. By April 15th of the following year, each party District shall pay or be repaid any amounts owing.

4. It is also agreed by the Electing Districts and Highlands 1 that any of them may also have certain other service and operation and maintenance costs of a non-operating overhead nature which may be funded from property taxes or other available funds. To the extent Districts do not otherwise agree to include such costs within the total budget, the mill levy within the various Districts agreeing to the total service basis may be somewhat different to provide funds for such costs as audit expenses, Directors fees, legal and accounting services, election expenses, general liability and other insurance expenses, and other supplementary services provided by any Electing District or Highlands 1 within its boundaries.

E. 1. If all of the Party Districts elect total service basis, there shall be a uniform mill levy among the Party Districts to pay the total Operation and Maintenance Master Budget, subject to Section 4.2 D.3, above. Each District, including Highlands 1, shall follow the applicable legal procedures to hold a joint public hearing conducted by all the Districts on the proposed budget and mill levy.



2. If any Party District elects service on an individual basis, that District shall proceed under applicable legal procedures to approve its own proposed budget and establish its own mill levy. The remaining Districts shall conduct the procedure set forth above for Electing Districts for the same or amended budget.

4.3 As long as any other Party District has elected to operate on a total service basis, Highlands 1 may impose user fees pursuant to law for the right or privilege of using any of the Overall Facilities within Highlands 1 and the Electing Districts, so long as such fees are uniform for all facilities within the boundaries of those Districts, and such fees apply to all similar facilities. Said fees will be offset against the applicable expenditures to determine the net Master Budget. Highlands 1 shall notify the other Party Districts of the fees as fixed by rules and regulations of Highlands 1, and any amendment or changes therein. It is specifically agreed that the user fees are subject to adjustment from time to time by Highlands 1, and that when such fees are proposed to be adjusted, Highlands 1 shall give the Electing Districts written notice thereof at least thirty (30) days before making any such adjustments.

ARTICLE V. MISCELLANEOUS

5.1 A. It is agreed by all of the Parties hereto that matters to be resolved by arbitration under this Agreement are matters upon which reasonable persons could disagree and further that they are matters where an exact answer is not possible. Therefore, the Party Districts agree that if the determinations made pursuant to this Agreement are capable of being quantified and are within 90% to 110% of being correct, in the judgment of the arbitrator, the determination made pursuant to the specific section of this Agreement shall be binding upon the Party Districts. Presentations to the arbitrator shall be limited to written statement of position by any Party District desiring to make such a written statement, unless the arbitrator requests oral presentations, and shall be within 10 days of notice of appointment.

B. The arbitrator shall be chosen as follows:

1. Any mutually agreeable Colorado Registered Professional Engineer.

2. Any mutually agreeable city manager.

C. To the extent not otherwise provided herein, the arbitration shall proceed under the Commercial Arbitration Rules and the Expedited Commercial Arbitration Procedures of the American Arbitration Association.



5.2 This Agreement shall be for a term of fifty (50) years, subject to earlier termination pursuant to the provisions of this Agreement; provided, however, that in the event that any of the Party Districts hereto shall be dissolved, this Agreement shall terminate upon the effective date of such dissolution as to that Party District, except that any obligation under Section 2.5 B of any land within any dissolved Obligor District shall be a continuing obligation of such land.

5.3 A. Default by any District Party. A default by any Party District shall exist if that District shall fail to pay when due any amounts due hereunder, or shall fail to comply with any provision, term, covenant, or condition in this Agreement applicable to that District, and such breach or failure to pay or failure to comply shall continue for a period of thirty (30) days after notice thereof given by any non-defaulting Party District to the defaulting Party, or, if such breach or failure to comply cannot reasonably be cured within such thirty (30) day period, if the defaulting District shall not in good faith commence to cure such breach or failure to comply within such thirty (30) day period, and shall not diligently proceed therewith to completion.

B. Enforcement. Provided at least one Party District is not in default as provided herein, that District may enforce its rights under this Agreement by an action for specific enforcement under the laws of the State of Colorado.

5.4 If one or more Party Districts are in default of this Agreement as provided herein and the remaining Party Districts not in default do not desire to proceed under Section 5.3, then those non-defaulting Districts may terminate this Agreement as to such defaulting District. The non-defaulting Districts shall give the defaulting District(s) thirty (30) days' notice in writing thereof and this Agreement shall terminate at the end of said thirty days.

5.5 Compliance with Laws. All Party Districts hereto agree that in performing their respective obligations under this Agreement, they shall comply with all laws, rules, regulations, ordinances, and orders of any governmental authority having jurisdiction.

5.6 Notices. All notices under this Agreement shall be in writing, signed by the Party giving the same and shall be deemed properly given and received when actually given, or receipted for three business days after mailing if sent by registered or certified United States mail, postage prepaid, addressed to the Party to receive the notice at the address set forth for such Party in the first paragraph of this Agreement, or any such other address as any Party may notify the other Party of in writing.



5.7 Entire Agreement. This Agreement and any exhibits or schedules referred to herein, constitute the final and complete expression of the Parties' agreements with respect to the matters set forth herein, except to the extent that this Agreement may later be amended pursuant to the terms and provisions hereof. Each Party agrees that it has not relied upon or regarded as binding any prior agreements, negotiations, representations or understanding, whether oral or written, except as expressly set forth herein.

5.8 Assignability. No Party may assign its right or obligations under this Agreement without the prior written consent of the other Party.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement the day and year first above written.

HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 1

BY: Robert H. W. [Signature]
BY: Tom Adams [Signature]

HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 2

BY: James J. Taylor [Signature]
BY: R. S. Stead [Signature]

HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 3

BY: James J. Taylor [Signature]
BY: R. S. Stead [Signature]

HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 4

BY: James J. Taylor [Signature]
BY: R. S. Stead [Signature]

HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 5

BY: James J. Taylor [Signature]
BY: R. S. Stead [Signature]



SUPPLEMENTAL AGREEMENT TO
JOINT AMENDED HIGHLANDS RANCH METROPOLITAN DISTRICTS AGREEMENT

This agreement (Supplemental Agreement) is entered into this 30th day of JUNE 1998, by and among Highlands Ranch Metropolitan District No. 1 (HRMD 1); Highlands Ranch Metropolitan District No. 2 (HRMD 2); Highlands Ranch Metropolitan District No. 3 (HRMD 3); Highlands Ranch Metropolitan District No. 4 (HRMD 4) and Highlands Ranch Metropolitan District No. 5 (HRMD 5).

WHEREAS, the Districts are parties to that certain intergovernmental agreement entitled "JOINT AMENDED HIGHLANDS RANCH METROPOLITAN DISTRICTS AGREEMENT DATED THE 19th DAY OF DECEMBER 1989 (the Agreement); and

WHEREAS, pursuant to the Agreement, the cost of providing Metropolitan District Services to the entire Highlands Ranch development area is to be shared equitably by the users of said facilities and services; and

WHEREAS, pursuant to the Agreement, each District has obligated itself to pay its fair and equitable share of the capital cost, operation costs and maintenance expenses of various Metropolitan District facilities; and

WHEREAS, each of the District is the recipient of moneys from the Conservation Trust Fund (CTF) as set forth in C.R.S. 29-21-101; and

WHEREAS, the Districts are authorized, C.R.S. 29-21-101, by to cooperate and contract with each other in the utilization of the CTF moneys received pursuant to; and

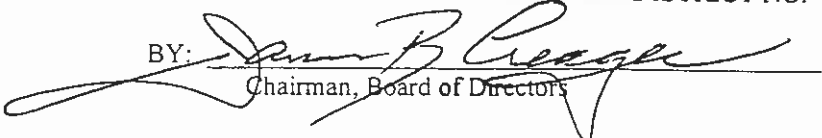
WHEREAS, the Districts desire to enter into this Supplemental Agreement to provide for the use of Conservation Trust Funds as a source of funding for various facilities and projects. NOW THEREFORE, BE IT RESOLVED THE DISTRICTS AGREE AS FOLLOWS:

1. HRMD 4 will establish and maintain a Conservation Trust Fund Special Revenue Fund "(the Fund)", and deposit into the Fund all Conservation Trust Funds received by it.

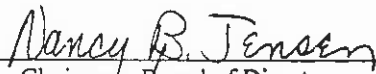


2. HRMD 1, HRMD 2, HRMD 3, and HRMD 5 will, upon receipt thereof, transfer to the Fund maintained by HRMD 4, all Conservation Trust Fund moneys received by each of them.
3. HRMD 4 agrees to maintain appropriate records of each District's contribution to the Fund and the use thereof.
4. HRMD 4 agrees to budget and use those funds only for the construction of the following:
 - a) Facilities included in the Facility Plan which are specifically identified as items to be funded from the Fund.
 - b) Other facilities or projects identified in an exhibit to the Master Budget prepared and adopted pursuant to the Agreement, identified as items to be funded from the Fund.
5. Each District shall, as part of the resolution adopting their annual budget, indicate:
 - a) What projects are to be funded from the District's contribution.
 - b) The amount of funding for each project identified.
6. This Supplemental Agreement is intended to clarify the Agreement and shall not be interpreted to amend the agreement, but merely to clarify its terms as set forth herein.

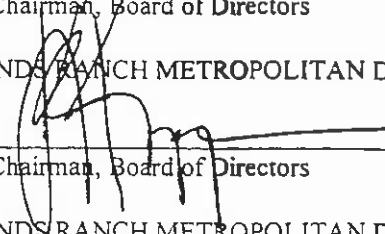
HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 1

BY: 
Chairman, Board of Directors

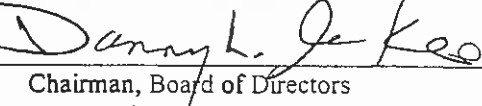
HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 2

BY: 
Chairman, Board of Directors

HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 3

BY: 
Chairman, Board of Directors

HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 4

BY: 
Chairman, Board of Directors

HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 5

BY: 
Chairman, Board of Directors



**SECOND SUPPLEMENTAL AGREEMENT TO
JOINT AMENDED HIGHLANDS RANCH METROPOLITAN DISTRICTS
AGREEMENT**

This Second Supplemental Agreement is entered in to this 24th day of February, 2004, by and among Highlands Ranch Metropolitan District No. 1 (HRMD 1); Highlands Ranch Metropolitan District No. 2 (HRMD 2); Highlands Ranch Metropolitan District No. 3 (HRMD 3) and Highlands Ranch Metropolitan District No. 4 (HRMD 4), collectively “the Districts”.

WHEREAS, the Districts are parties to that certain intergovernmental agreement entitled “Joint Amended Highlands Ranch Metropolitan Districts Agreement” dated December 19, 1989 (the Agreement); and

WHEREAS, the Districts are also parties to the first Supplemental Agreement entered into on June 30, 1998 in order to provide for the use of Conservation Trust Funds as a source of funding for various facilities and projects; and

WHEREAS, pursuant to the Agreement, the cost of providing Metropolitan District Services to the entire Highlands Ranch development area is to be shared equitably by the users of said facilities and services; and

WHEREAS, pursuant to the Agreement, each District has obligated itself to pay its fair and equitable share of the capital cost, operation costs and maintenance expenses of various Metropolitan District facilities; and

WHEREAS, HRMD 4 advanced money for the construction of Redstone Park with the understanding that it would be reimbursed as soon as feasible from future Conservation Trust Funds or other funding as it became available; and



WHEREAS, each of the Districts is the recipient of revenue from the assessment and taxation of new construction as set forth in C.R.S. 39-5-132 (the “New Construction Funds”) which tax revenues make available funds that would otherwise be used for the construction of improvements (‘Available Funds’); and

WHEREAS, the Districts are authorized by C.R.S. §29-21-101, to cooperate and contract with each other in the use of Available Funds; and

WHEREAS, the Districts desire to enter into this Supplemental Agreement to provide for the use of a portion of such available funds in an amount not to exceed the New Construction Funds for payment of the amount owed to HRMD 4 for Redstone Park and use the remaining balance for replacement and repair of various facilities;

NOW THEREFORE, THE DISTRICTS AGREE AS FOLLOWS:

1. HRMD 4 will establish and maintain a Major Repair Special Revenue Fund (“Major Repair Fund”) and deposit into the Major Repair Fund the portion of Available Funds made available by the New Construction Funds which were or will be received by each District, as such Available Funds are transferred to HRMD 4.

2. a) HRMD 1, HRMD 2, HRMD 3, and HRMD 4 will transfer to HRMD 4 for deposit into the Major Repair Fund an amount not to exceed New Construction Funds received by each District.

b) Each District will transfer to the Major Repair Fund only funds that are legally available for use in the Major Repair Fund and for payment of the amount still owed on Redstone Park. The transfer will occur at the time each District appropriates funds for those purposes.



3. HRMD 4 is authorized to transfer from funds deposited in the Major Repair Fund to its General Government Capital Projects Fund the amount owed for Redstone Park.

4. HRMD 4 agrees to maintain records of each District's contribution to the Major Repair Fund and the use thereof.

5. HRMD 4 agrees to budget and use funds deposited to the Major Repair Fund only for the repair and replacement of facilities or projects identified as repair and replacement items to be funded from the Major Repair Fund and for payment of the amount owed on Redstone Park.

6. Each District shall, as part of the resolution adopting their annual budget, approve:

a) A schedule identifying what projects are to be funded during the budget year from the Major Repair Fund and

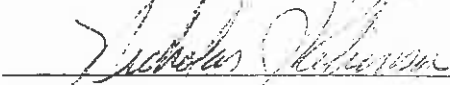
b) The amount of funding for each project identified.

7. This Supplemental Agreement is intended to clarify the Agreement and shall not be interpreted to amend the Agreement, but merely to expand its terms as set forth herein.


[Signature page follows]



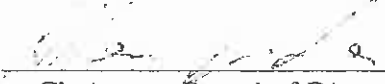
HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 1

By: 
Chairman, Board of Directors

HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 2

By: 
Chairman, Board of Directors

HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 3

By: 
Chairman, Board of Directors

HIGHLANDS RANCH METROPOLITAN DISTRICT NO. 4


By: 
Chairman, Board of Directors



Exhibit 5 Intergovernmental Agreements and Contracts List



HRMD NO. 1 CONTRACTS

January 1, 2005

| <u>CONTRACT</u> | <u>DATED</u> | <u>COMMENTS/ TERMINATION</u> |
|--|--|---|
| <u>INTERGOVERNMENTAL AGREEMENTS</u> | | |
| 1. Water and Wastewater Agreement with CWSD Exhibit A (same for all Districts) Exhibit B | 12/18/90 09/07/2003 See Annual Budget | Contract 1/01/2031 Total Service 1/01/2008 (as amended) (as amended) |
| 2. Joint Amended HRMD -Agreement (ALL DISTRICTS) Supplement-Conservation Trust Fund Supplement-Major Repair Fund | 12/19/89 06/30/98 02/24/04 | Renewal 1/01/2039 Same as above |
| 3. Employee, Equipment and Supply Sharing Agreement with All HRMD DISTRICTS/CWSD/REUNION ADDENDUM W/Reunion | 01/30/2001 01/30/2001 | Indefinite (90 Day termination notice) |
| 4. Littleton Fire Dept. Agreement For Fire Protection, Communications Medical Services on behalf of ALL HRMD DISTRICTS Addendum | 06/21/2000 05/02/2002 | Indefinite (16 month termination notice prior to Sept 1 of any year) |
| 5. Reservoir Storage/Tanks Park use license ALL HRMD DISTRICTS/CWSD | 12/17/98 | 12/17/2008 Auto 5 yr. renewal |
| 6. High Line Canal Trail Recreation Lease between ALL HRMD DISTRICTS City & County of Denver | 03/02/99 | 3/2/2024 Renegotiate 2 yrs prior |
| 7. Combined C-470/High Line Canal Trail Maintenance between ALL HRMD DISTRICTS/CDOT/City & County of Denver | 05/03/2001 | See CONTRACT |
| 8. Shea Stadium Joint Use Agreement between ALL HRMD DISTRICTS & Douglas County Public School District | 07/24/2000 | 12/31/2010 |
| 9. HRMD Authority Agreement Between All HRMD Districts | 06/26/02 | Indefinite |



HRMD NO. 1 CONTRACTS cont'd
January 1, 2005

| <u>CONTRACT</u> | <u>DATED</u> | <u>COMMENTS/ TERMINATION</u> |
|--|---------------------|--|
| <u>INTERGOVERNMENTAL AGREEMENTS</u> | | |
| 10. Financial Services Agreement HRMD-1/CWSD/REUNION | 01/01/2001 | Indefinite (90 Day termination notice) |
| 11. Employee Retirement Assoc Inter-district Agreement | 08/12/83 | Indefinite |
| 12. Littleton Fire Dept., City of Littleton and HRMD-1 Fire Station 16 Agreement | 09/15/92 | Indefinite (termination subject to 12 month good faith negotiation) |
| 13. Office Building Lease Between HRMD-1 and CWSD – District Office Building | 05/26/98 | December 31, 2005 (2 year auto renewal unless Metro action) Lease payment recalculated annually |
| 14. Elementary School Fields Joint Use Agreement between HRMD-1 & Douglas County School District | 01/01/98 | 2 Year Auto renewal 20 day written termination |
| 15. Colorado Special Districts Property & Liability Pool ALL HRMD DISTRICTS/CWSD | | |
| 16. Various IGA'S HRMD 1 for Reimbursement from Urban Drainage & Flood Control District Channel Stabilization | Various | per agreement |

HRMD-1 =Highlands Ranch Metropolitan District No. 1

ALL DISTRICTS = Highlands Ranch Metropolitan District's No. 1, No. 2, No. 3, No. 4 and No. 5

CWSD = Centennial Water and Sanitation District

REUNION = Reunion Metropolitan District



HRMD NO. 2 CONTRACTS

January 1, 2005

| <u>CONTRACT</u> | <u>DATED</u> | <u>COMMENTS/ TERMINATION</u> |
|---|--|---|
| <u>INTERGOVERNMENTAL AGREEMENTS</u> | | |
| 1. Water and Wastewater Agreement with CWSD Exhibit A (See HRMD 1) Exhibit B | 12/18/90 9/07/2003 See Annual Budget | Contract 1/01/2031 Total Service 1/01/2008 (as amended) (as amended) |
| 2. Joint Amended ALL HRMD DISTRICTS- Agreement Supplement-Conservation Trust Fund Supplement-Major Repair Fund (See HRMD 1) | 12/19/89 | Renewal 1/01/2039 |
| 3. Employee, Equipment and Supply Sharing Agreement with All HRMD DISTRICTS/CWSD/REUNION ADDENDUM w/Reunion (See HRMD 1) | 01/30/2001 01/30/2001 | Indefinite (90 Day termination notice) |
| 4. Littleton Fire Dept. Agreement For Fire Protection, Communications Medical Services Addendum All HRMD DISTRICTS (See HRMD 1) | 06.21/2000 05/2/2002 | Indefinite (16 month termination notice prior to Sept 1 of any year) |
| 5. Reservoir Storage/Tanks Park use license ALL HRMD DISTRICTS/CWSD (See HRMD-1) | 12/17/98 | 12/17/2008 Auto 5 yr. renewal |
| 6. High Line Canal Trail Recreation Lease between ALL HRMD DISTRICTS/City & County of Denver (See HRMD-1) | 03/02/99 | 3/2/2024 Renegotiate 2 Yrs Prior |
| 7. Combined C-470/High Line Canal Trail Maintenance between ALL HRMD DISTRICTS/CDOT/City & County of Denver (See HRMD-1) | 05/03/2001 | See CONTRACT |
| 8. Shea Stadium Joint Use Agreement between ALL HRMD DISTRICTS & Douglas County Public School Distric (See HRMD-1)t | 07/24/2000 | 12/31/2010 |
| 9. HRMD Authority Agreement Between All HRMD Districts (See HRMD 1) | 06/26/02 | Indefinite |



HRMD NO. 2 CONTRACTS cont'd

January 1, 2005

| <u>CONTRACT</u> | <u>DATED</u> | <u>COMMENTS/ TERMINATION</u> |
|--|--------------|----------------------------------|
| 10. Colorado Special Districts Property & Liability Pool ALL HRMD DISTRICTS/CWSD (See HRMD 1) | | |
| 11. Various IGA'S for Reimbursement from Urban Drainage & Flood Control District Channel Stabilization ALL HRMD DISTRICTS (See HRMD 1) | Various | per agreement |

HRMD-1 =Highlands Ranch Metropolitan District No. 1

ALL DISTRICTS = Highlands Ranch Metropolitan District's No. 1, No. 2, No. 3, No. 4 and No. 5

CWSD = Centennial Water and Sanitation District

REUNION = Reunion Metropolitan District



HRMD NO. 3 CONTRACTS

January 1, 2005

| <u>CONTRACT</u> | <u>DATED</u> | <u>COMMENTS/ TERMINATION</u> |
|--|--|---|
| <u>INTERGOVERNMENTAL AGREEMENTS</u> | | |
| 1. Water and Wastewater Agreement with CWSD Exhibit A (See HRMD 1) Exhibit B | 12/18/90 9/07/2003 See Annual Budget | Contract 1/01/2031 Total Service 1/01/2008 (as amended) (as amended) |
| 2. Joint Amended ALL HRMD DISTRICTS - Agreement Supplement-Conservation Trust Fund Supplement-Major Repair Fund (See HRMD 1) | 12/19/89 | Renewal 1/01/2039 |
| 3. Employee, Equipment and Supply Sharing Agreement with All HRMD DISTRICTS/CWSD/REUNION ADDENDUM w/Reunion (See HRMD 1) | 01/30/2001 01/30/2001 | Indefinite (90 Day termination notice) |
| 4. Littleton Fire Dept. Agreement For Fire Protection, Communications Medical Services Addendum All HRMD DISTRICTS (See HRMD-1) | 06.21/2000 05/2/2002 | Indefinite (16 month termination notice prior to Sept 1 of any year) |
| 5. Reservoir Storage/Tanks Park use license ALL HRMD DISTRICTS/CWSD (See HRMD-1) | 12/17/98 | 12/17/2008 Auto 5 yr. renewal |
| 6. High Line Canal Trail Recreation Lease between ALL HRMD DISTRICTS /City & County of Denver (See HRMD-1) | 03/02/99 | 3/2/2024 Renegotiate 2 Yrs Prior |
| 7. Combined C-470/High Line Canal Trail Maintenance between ALL HRMD DISTRICTS /CDOT/City & County of Denver | 05/03/2001 | See CONTRACT |
| 8. Shea Stadium Joint Use Agreement between ALL HRMD DISTRICTS & Douglas County Public School District | 07/24/2000 | 12/31/2010 |
| 9. HRMD Authority Agreement Between All HRMD Districts (See HRMD 1) | 06/26/02 | Indefinite |



HRMD NO. 3 CONTRACTS cont'd

January 1, 2005

| <u>CONTRACT</u> | | <u>DATED</u> | <u>COMMENTS/ TERMINATION</u> |
|------------------------|--|---------------------|---|
| 10. | CDOT/DOUGLAS COUNTY/HRMD 3 Maintenance of Bridge | 6/09/98 | 6/09/2008 (Auto renewal in 10 Yr Terms) |
| 11. | Colorado Special Districts Property & Liability Pool ALL HRMD DISTRICTS/CWSD (See HRMD 1) | | |
| 12. | Various IGA'S for Reimbursement from Urban Drainage & Flood Control District Channel Stabilization ALL HRMD DISTRICTS (See HRMD 1) | Various | per agreement |

HRMD-1 =Highlands Ranch Metropolitan District No. 1

ALL DISTRICTS = Highlands Ranch Metropolitan District's No. 1, No. 2, No. 3, No. 4 and No. 5

CWSD = Centennial Water and Sanitation District

REUNION = Reunion Metropolitan District



HRMD NO. 4 CONTRACTS**January 1, 2005**

| <u>CONTRACT</u> | <u>DATED</u> | <u>COMMENTS/ TERMINATION</u> |
|--|--|---|
| <u>INTERGOVERNMENTAL AGREEMENTS</u> | | |
| 1. Water and Wastewater Agreement with CWSD Exhibit A (See HRMD 1) Exhibit B | 12/18/90 9/07/2003 See Annual Budget | Contract 1/01/2031 Total Service 1/01/2008 (as amended) (as amended) |
| 2. Joint Amended ALL HRMD DISTRICTS- Agreement Supplement-Conservation Trust Fund Supplement-Major Repair Fund (See HRMD 1) | 12/19/89 | Renewal 1/01/2039 |
| 3. Employee, Equipment and Supply Sharing Agreement with All HRMD DISTRICTS/CWSD/REUNION ADDENDUM w/Reunion (See HRMD 1) | 01/30/2001 01/30/2001 | Indefinite (90 Day termination notice) |
| 4. Littleton Fire Dept. Agreement For Fire Protection, Communications Medical Services Addendum All HRMD DISTRICTS (See HRMD 1) | 06.21/2000 05/2/2002 | Indefinite (16 month termination notice prior to Sept 1 of any year) |
| 5. Reservoir Storage/Tanks Park use license ALL HRMD DISTRICTS/CWSD (See HRMD-1) | 12/17/98 | 12/17/2008 Auto 5 yr. renewal |
| 6. High Line Canal Trail Recreation Lease between ALL HRMD DISTRICTS/City & County of Denver (See HRMD-1) | 03/02/99 | 3/2/2024 Renegotiate 2 Yrs Prior |
| 7. Combined C-470/High Line Canal Trail Maintenance between ALL HRMD DISTRICTS/CDOT/City & County of Denver | 05/03/2001 | See CONTRACT |
| 8. Shea Stadium Joint Use Agreement between ALL HRMD DISTRICTS & Douglas County Public School District | 07/24/2000 | 12/31/2010 |
| 9. HRMD Authority Agreement Between All HRMD Districts (See HRMD 1) | 06/26/02 | Indefinite |



HRMD NO. 4 CONTRACTS cont'd

January 1, 2005

| <u>CONTRACT</u> | <u>DATED</u> | <u>COMMENTS/ TERMINATION</u> |
|--|--------------|----------------------------------|
| 11. Colorado Special Districts Property & Liability Pool ALL HRMD DISTRICTS/CWSD (See HRMD 1) | | |
| 12. Various IGA'S for Reimbursement from Urban Drainage & Flood Control District Channel Stabilization ALL HRMD DISTRICTS (See HRMD 1) | Various | per agreement |

HRMD-1 =Highlands Ranch Metropolitan District No. 1

ALL DISTRICTS = Highlands Ranch Metropolitan District's No. 1, No. 2, No. 3, No. 4 and No. 5

CWSD = Centennial Water and Sanitation District

REUNION = Reunion Metropolitan District



HRMD NO. 5 CONTRACTS

January 1, 2005

| <u>CONTRACT</u> | <u>DATED</u> | <u>COMMENTS/ TERMINATION</u> |
|--|--|---|
| <u>INTERGOVERNMENTAL AGREEMENTS</u> | | |
| 1. Water and Wastewater Agreement with CWSD Exhibit A (See HRMD 1) Exhibit B | 12/18/90 9/07/2003 See Annual Budget | Contract 1/01/2031 Total Service 1/01/2008 (as amended) (as amended) |
| 2. Joint Amended ALL HRMD DISTRICTS- Agreement Supplement-Conservation Trust Fund Supplement-Major Repair Fund (See HRMD 1) | 12/19/89 | Renewal 1/01/2039 |
| 3. Employee, Equipment and Supply Sharing Agreement with All HRMD DISTRICTS/CWSD/REUNION ADDENDUM w/Reunion (See HRMD 1) | 01/30/2001 01/30/2001 | Indefinite (90 Day termination notice) |
| 4. Littleton Fire Dept. Agreement For Fire Protection, Communications Medical Services Addendum All HRMD DISTRICTS (See HRMD 1) | 06.21/2000 05/2/2002 | Indefinite (16 month termination notice prior to Sept 1 of any year) |
| 5. Reservoir Storage/Tanks Park use license ALL HRMD DISTRICTS/CWSD (See HRMD-1) | 12/17/98 | 12/17/2008 Auto 5 yr. renewal |
| 6. High Line Canal Trail Recreation Lease between ALL HRMD DISTRICTS/City & County of Denver (See HRMD-1) | 03/02/99 | 3/2/2024 Renegotiate 2 Yrs Prior |
| 7. Combined C-470/High Line Canal Trail Maintenance between ALL HRMD DISTRICTS/CDOT/City & County of Denver | 05/03/2001 | See CONTRACT |
| 8. Shea Stadium Joint Use Agreement between ALL HRMD DISTRICTS & Douglas County Public School District | 07/24/2000 | 12/31/2010 |
| 9. HRMD Authority Agreement Between All HRMD Districts (See HRMD 1) | 06/26/02 | Indefinite |



HRMD NO. 5 CONTRACTS cont'd

January 1, 2005

| <u>CONTRACT</u> | <u>DATED</u> | <u>COMMENTS/ TERMINATION</u> |
|--|--------------|----------------------------------|
| 11. Colorado Special Districts Property & Liability Pool ALL HRMD DISTRICTS/CWSD (See HRMD 1) | | |
| 12. Various IGA'S for Reimbursement from Urban Drainage & Flood Control District Channel Stabilization ALL HRMD DISTRICTS (See HRMD 1) | Various | per agreement |

HRMD-1 =Highlands Ranch Metropolitan District No. 1

ALL DISTRICTS = Highlands Ranch Metropolitan District's No. 1, No. 2, No. 3, No. 4 and No. 5

CWSD = Centennial Water and Sanitation District

REUNION = Reunion Metropolitan District



Exhibit 6 Financing Plan



**Highlands Ranch Metropolitan District
Consolidated Metro Districts Financial Plan**

| In 2005 dollars, no inflation assumption | Current Budgets * | | | | Projected - Consolidated basis ----->> | | | |
|---|-------------------|-------------------|-----------------|--|--|------------|------------|------------|
| | (1) | Projected 2005 | Adopted 2006 | | 2007 | 2008 | 2009 | 2010 |
| Fund Balances - Beginning | | 61,480,559 | 55,800,133 | | 52,054,457 | 55,212,278 | 55,625,804 | 52,901,651 |
| Revenues: | | | | | | | | |
| Assumed Mill Levy | | 11.765 | 11.765 | | 11.765 | 11.765 | 11.765 | 11.765 |
| Operations | | 8.517 | 8.517 | | 8.517 | 8.517 | 8.517 | 8.517 |
| Debt | | | | | | | | |
| Major Repair | | | | | | | | |
| Total | | 20.282 | 20.282 | | 20.282 | 20.282 | 20.282 | 20.282 |
| Property Taxes | (2) | 18,017,206 | 20,024,690 | | 20,611,932 | 21,355,180 | 22,129,895 | 22,736,367 |
| Specific Ownership Taxes | 8% (3) | 1,984,000 | 2,185,000 | | 1,648,955 | 1,708,414 | 1,770,392 | 1,818,909 |
| System Development Fees | (4) | 4,677,929 | 3,893,031 | | 7,055,295 | 5,381,435 | 3,513,287 | 1,595,846 |
| Tap Fees | (5) | 5,978,980 | 5,001,470 | | 3,727,770 | 2,291,582 | 1,406,860 | 1,406,860 |
| Utility Rate Income - W/WW | 0% (6) | 22,829,400 | 24,694,100 | | 25,394,141 | 26,282,702 | 26,905,518 | 27,198,400 |
| Utility Rate Income - Street Lights | 0% (6) | 645,000 | 653,000 | | 673,083 | 697,265 | 702,780 | 702,780 |
| Recreation Fees | 0% (7) | 819,300 | 841,350 | | 841,350 | 841,350 | 841,350 | 841,350 |
| Intergovernmental | 0% (8) | 879,256 | 1,374,765 | | 950,000 | 950,000 | 950,000 | 950,000 |
| Conservation Trust Fund | | 389,000 | 396,000 | | 408,000 | 424,000 | 434,000 | 439,000 |
| Centennial payment for interest costs | | 3,005,356 | 318,600 | | - | - | - | - |
| Contributed Capital offsetting capital outlay | | 509,600 | 1,878,724 | | 1,194,000 | 715,700 | 165,100 | 310,000 |
| Other Income | 0% (9) | 403,680 | 347,085 | | 500,000 | 500,000 | 500,000 | 500,000 |
| Net Investment Income | 3.00% (10) | 1,493,000 | 1,601,700 | | 1,585,222 | 1,638,001 | 1,603,853 | 1,525,871 |
| Total Annual Revenues | | 61,631,748 | 63,209,556 | | 64,589,787 | 62,785,670 | 60,923,075 | 60,025,425 |



**Highlands Ranch Metropolitan District
Consolidated Metro Districts Financial Plan**

| | | Projected - Consolidated basis ----->> | | | | | |
|---|------------|--|------------|------------|------------|------------|------------|
| In 2005 dollars, no inflation assumption (1) | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Fund Balances - Beginning | | 50,349,011 | 47,036,119 | 43,080,210 | 41,938,605 | 39,051,591 | 39,397,308 |
| Revenues: | | | | | | | |
| Assumed Mill Levy | | 11.765 | 11.765 | 11.765 | 11.765 | 11.765 | 11.765 |
| Operations | | 8.517 | 8.517 | 8.517 | 8.517 | 8.517 | 8.517 |
| Debt | | | | | | | 2.000 |
| Major Repair | | | | | | | |
| Total | | 20.282 | 20.282 | 20.282 | 20.282 | 20.282 | 13.765 |
| Property Taxes | (2) | 23,053,790 | 23,233,229 | 23,383,607 | 23,500,494 | 23,771,369 | 16,219,592 |
| Specific Ownership Taxes | 8% (3) | 1,844,303 | 1,858,658 | 1,870,689 | 1,880,039 | 1,901,710 | 1,297,567 |
| System Development Fees | (4) | 1,355,473 | 1,078,442 | 1,736,536 | 816,367 | 455,240 | 455,240 |
| Tap Fees | (5) | 945,360 | 413,481 | 1,658,686 | 934,718 | 521,237 | 521,237 |
| Utility Rate Income - W/WW | 0% (6) | 27,404,947 | 27,631,711 | 27,686,963 | 27,738,689 | 27,763,006 | 27,776,566 |
| Utility Rate Income - Street Lights | 0% (6) | 702,780 | 702,780 | 702,780 | 702,780 | 702,780 | 702,780 |
| Recreation Fees | 0% (7) | 841,350 | 841,350 | 841,350 | 841,350 | 841,350 | 841,350 |
| Intergovernmental | 0% (8) | 950,000 | 950,000 | 950,000 | 950,000 | 950,000 | 950,000 |
| Conservation Trust Fund | | 442,000 | 446,000 | 447,000 | 447,000 | 447,000 | 447,000 |
| Centennial payment for interest costs | | - | - | - | - | - | - |
| Contributed Capital offsetting capital outlay | | 310,000 | 310,000 | 310,000 | 310,000 | - | - |
| Other Income | 0% (9) | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| Net Investment Income | 3.00% (10) | 1,439,189 | 1,331,768 | 1,256,435 | 1,196,899 | 1,159,343 | 649,704 |
| Total Annual Revenues | | 59,789,232 | 59,297,461 | 61,344,086 | 59,818,377 | 59,013,075 | 50,361,064 |



**Highlands Ranch Metropolitan District
Consolidated Metro Districts Financial Plan**

| | | Projected - Consolidated basis -----> | | | | | |
|---|------------|---------------------------------------|------------|------------|------------|------------|------------|
| In 2005 dollars, no inflation assumption (1) | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Fund Balances - Beginning | | 4,566,044 | 6,741,514 | 20,853,948 | 22,264,780 | 24,223,835 | 26,053,126 |
| Revenues: | | | | | | | |
| Assumed Mill Levy | | | | | | | |
| Operations | | 11.765 | 11.765 | 11.765 | 11.765 | 11.765 | 11.765 |
| Debt | | | | | | | |
| Major Repair | | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 |
| Total | | 13.765 | 13.765 | 13.765 | 13.765 | 13.765 | 13.765 |
| Property Taxes | (2) | 16,267,786 | 16,315,979 | 16,364,173 | 16,995,963 | 16,995,963 | 16,995,963 |
| Specific Ownership Taxes | 8% (3) | 1,301,423 | 1,305,278 | 1,309,134 | 1,359,677 | 1,359,677 | 1,359,677 |
| System Development Fees | (4) | 455,240 | 5,967,896 | - | - | - | - |
| Tap Fees | (5) | 521,237 | 6,833,075 | - | - | - | - |
| Utility Rate Income - W/WW | 0% (6) | 27,790,127 | 27,803,687 | 27,981,453 | 27,981,453 | 27,981,453 | 27,981,453 |
| Utility Rate Income - Street Lights | 0% (6) | 702,780 | 702,780 | 702,780 | 702,780 | 702,780 | 702,780 |
| Recreation Fees | 0% (7) | 841,350 | 841,350 | 841,350 | 841,350 | 841,350 | 841,350 |
| Intergovernmental | 0% (8) | 950,000 | 950,000 | 950,000 | 950,000 | 950,000 | 950,000 |
| Conservation Trust Fund | | 447,000 | 447,000 | 447,000 | 447,000 | 447,000 | 447,000 |
| Centennial payment for interest costs | | - | - | - | - | - | - |
| Contributed Capital offsetting capital outlay | | - | - | - | - | - | - |
| Other Income | 0% (9) | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| Net Investment Income | 3.00% (10) | 167,106 | 407,814 | 637,222 | 687,023 | 743,009 | 795,073 |
| Total Annual Revenues | | 49,944,075 | 62,074,887 | 49,733,140 | 50,465,275 | 50,521,260 | 50,573,325 |



**Highlands Ranch Metropolitan District
Consolidated Metro Districts Financial Plan**

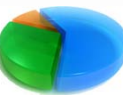
| | (1) | Projected - Consolidated basis -----> | | | TOTAL 2007-2025 |
|---|------------|---------------------------------------|-------------------|-------------------|----------------------|
| | | 2023 | 2024 | 2025 | |
| In 2005 dollars, no inflation assumption | (1) | | | | |
| Fund Balances - Beginning | | 27,746,875 | 29,299,110 | 30,703,663 | 52,054,457 |
| Revenues: | | | | | |
| Assumed Mill Levy | | | | | |
| Operations | | 11.765 | 11.765 | 11.765 | |
| Debt | | | | | |
| Major Repair | | 2.000 | 2.000 | 2.000 | |
| Total | | 13.765 | 13.765 | 13.765 | |
| Property Taxes | (2) | 16,995,963 | 16,995,963 | 16,995,963 | 370,919,172 |
| Specific Ownership Taxes | 8% (3) | 1,359,677 | 1,359,677 | 1,359,677 | 29,673,534 |
| System Development Fees | (4) | - | - | - | 29,866,296 |
| Tap Fees | (5) | - | - | - | 21,182,101 |
| Utility Rate Income - W/WW | 0% (6) | 27,981,453 | 27,981,453 | 27,981,453 | 523,246,629 |
| Utility Rate Income - Street Lights | 0% (6) | 702,780 | 702,780 | 702,780 | 13,317,613 |
| Recreation Fees | 0% (7) | 841,350 | 841,350 | 841,350 | 15,985,650 |
| Intergovernmental | 0% (8) | 950,000 | 950,000 | 950,000 | 18,050,000 |
| Conservation Trust Fund | | 447,000 | 447,000 | - | 7,957,000 |
| Centennial payment for interest costs | | - | - | - | - |
| Contributed Capital offsetting capital outlay | | - | - | - | 3,624,800 |
| Other Income | 0% (9) | 500,000 | 500,000 | 500,000 | 9,500,000 |
| Net Investment Income | 3.00% (10) | 843,044 | 886,740 | 919,272 | 19,472,589 |
| Total Annual Revenues | | 50,621,295 | 50,664,992 | 50,250,524 | 1,062,795,384 |



**Highlands Ranch Metropolitan District
Consolidated Metro Districts Financial Plan**

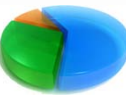
| In 2005 dollars, no inflation assumption | Current Budgets * | | Projected - Consolidated basis ----->> | | | |
|--|-------------------|-------------------|--|-------------------|-------------------|-------------------|
| | Projected 2005 | Adopted 2006 | 2007 | 2008 | 2009 | 2010 |
| Expenditures: | | | | | | |
| Debt Service - assumed from MD1-4 | 16,013,194 | 10,746,320 | 11,546,579 | 13,595,886 | 12,360,753 | 12,353,186 |
| Planned cash refunding in 2016 | | | | | | |
| Debt Service - issued by consolidated District | | | | | | |
| Capital Outlay - General Govt. (gross) | 4,369,351 | 7,786,422 | 3,754,258 | 2,947,900 | 5,351,356 | 1,746,220 |
| Capital Outlay - Water/Wastewater | 7,744,223 | 6,329,371 | 3,195,860 | 1,756,033 | 1,053,620 | 3,127,786 |
| Conservation Trust Projects | 181,084 | 522,969 | 396,000 | 408,000 | 424,000 | 434,000 |
| Major Repair Projects | 239,940 | 63,500 | 150,900 | 200,000 | 200,000 | 200,000 |
| Operations | 15,289,981 | 16,159,550 | 16,321,146 | 16,484,357 | 16,649,201 | 16,815,693 |
| Water/Wastewater costs | 22,829,400 | 24,694,100 | 25,394,141 | 26,282,702 | 26,905,518 | 27,198,400 |
| Street Light costs - residential only | 645,000 | 653,000 | 673,083 | 697,265 | 702,780 | 702,780 |
| Total Annual Expenditures | 67,312,173 | 66,955,232 | 61,431,966 | 62,372,144 | 63,647,228 | 62,578,065 |
| Fund Balances - Ending | 55,800,133 | 52,054,457 | 55,212,278 | 55,625,804 | 52,901,651 | 50,349,011 |

* The data shown for 2005 and 2006 are for the combined Highlands Ranch Metro Districts No.s 1-4 for illustrative purposes only. Until consolidated, the four active Metro Districts remain legally separate entities. The 2006 budget information has been updated to the final adopted budget for 2006. The initial service plan submission was based on the proposed 2006 budget.



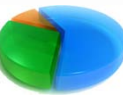
**Highlands Ranch Metropolitan District
Consolidated Metro Districts Financial Plan**

| | | Projected - Consolidated basis -----> | | | | | |
|--|---|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| In 2005 dollars, no inflation assumption | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| (1) | Expenditures: | | | | | | |
| (11) | Debt Service - assumed from MD1-4 Planned cash refunding in 2016 | 12,859,480 | 12,853,332 | 11,882,889 | 11,876,611 | 11,881,109 | 840,786 |
| | Debt Service - issued by consolidated District | - | - | - | - | - | 36,775,000 |
| (12) | Capital Outlay - General Govt. (gross) | 1,746,220 | 1,746,220 | 1,746,220 | 1,746,220 | - | - |
| (13) | Capital Outlay - Water/Wastewater | 2,765,848 | 2,523,638 | 2,495,614 | 2,495,614 | - | - |
| | Conservation Trust Projects | 439,000 | 442,000 | 446,000 | 447,000 | 447,000 | 447,000 |
| | Major Repair Projects | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 800,000 |
| (14) | Operations | 16,983,849 | 17,153,688 | 17,325,225 | 17,498,477 | 17,673,462 | 17,850,196 |
| (15) | Water/Wastewater costs | 27,404,947 | 27,631,711 | 27,686,963 | 27,738,689 | 27,763,006 | 27,776,566 |
| (15) | Street Light costs - residential only | 702,780 | 702,780 | 702,780 | 702,780 | 702,780 | 702,780 |
| | Total Annual Expenditures | 63,102,125 | 63,253,370 | 62,485,690 | 62,705,391 | 58,667,357 | 85,192,329 |
| (16) | Fund Balances - Ending | 47,036,119 | 43,080,210 | 41,938,605 | 39,051,591 | 39,397,308 | 4,566,044 |



**Highlands Ranch Metropolitan District
Consolidated Metro Districts Financial Plan**

| | | Projected - Consolidated basis ----->> | | | | | |
|--|--|--|------------|------------|------------|------------|------------|
| In 2005 dollars, no inflation assumption | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| (1) | Expenditures: | | | | | | |
| | Debt Service - assumed from MD 1-4 | - | - | - | - | - | - |
| | Planned cash refunding in 2016 | - | - | - | - | - | - |
| | Debt Service - issued by consolidated District | - | - | - | - | - | - |
| (11) | Capital Outlay - General Govt. (gross) | 447,000 | 447,000 | 447,000 | 447,000 | 447,000 | 447,000 |
| (12) | Capital Outlay - Water/Wastewater | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 |
| (13) | Conservation Trust Projects | | | | | | |
| | Major Repair Projects | 447,000 | 447,000 | 447,000 | 447,000 | 447,000 | 447,000 |
| | Operations | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 |
| 1% | Water/Wastewater costs | 18,028,698 | 18,208,985 | 18,391,075 | 18,574,986 | 18,760,736 | 18,948,343 |
| (14) | Street Light costs - residential only | 27,790,127 | 27,803,687 | 27,981,453 | 27,981,453 | 27,981,453 | 27,981,453 |
| (15) | | 702,780 | 702,780 | 702,780 | 702,780 | 702,780 | 702,780 |
| | Total Annual Expenditures | 47,768,605 | 47,962,453 | 48,322,309 | 48,506,220 | 48,691,969 | 48,879,577 |
| (16) | Fund Balances - Ending | 6,741,514 | 20,853,948 | 22,264,780 | 24,223,835 | 26,053,126 | 27,746,875 |



**Highlands Ranch Metropolitan District
Consolidated Metro Districts Financial Plan**

| | | Projected - Consolidated basis ----->> | | | TOTAL 2007-2025 |
|--|------|--|------------|------------|--------------------|
| | | 2023 | 2024 | 2025 | |
| In 2005 dollars, no inflation assumption | (1) | | | | |
| Expenditures: | | | | | |
| Debt Service - assumed from MD1-4 | (11) | - | - | - | 112,050,610 |
| Planned cash refunding in 2016 | | | | | 36,775,000 |
| Debt Service - issued by consolidated District | | - | - | - | - |
| Capital Outlay - General Govt. (gross) | (12) | - | - | - | 20,784,616 |
| Capital Outlay - Water/Wastewater | (13) | - | - | - | 19,414,011 |
| Conservation Trust Projects | | 447,000 | 447,000 | 447,000 | 8,353,000 |
| Major Repair Projects | | 800,000 | 800,000 | 800,000 | 9,750,900 |
| Operations | 1% | 19,137,827 | 19,329,205 | 19,522,497 | 339,657,646 |
| Water/Wastewater costs | (15) | 27,981,453 | 27,981,453 | 27,981,453 | 523,246,629 |
| Street Light costs - residential only | (15) | 702,780 | 702,780 | 702,780 | 13,317,613 |
| Total Annual Expenditures | | 49,069,060 | 49,260,438 | 49,453,731 | 1,083,350,026 |
| Fund Balances - Ending | (16) | 29,299,110 | 30,703,663 | 31,500,456 | 31,499,815 |



**Highlands Ranch Metropolitan District
Consolidated Metro Districts Financial Plan**

| In 2005 dollars, no inflation assumption | Current Budgets * | | Projected - Consolidated basis ----->> | | | |
|---|-------------------|-----------------|--|---------------|---------------|---------------|
| | Projected 2005 | Adopted 2006 | 2007 | 2008 | 2009 | 2010 |
| (1) | | | | | | |
| Outstanding Debt at year end | | | | | | |
| Debt assumed from Metro Districts | 118,260,000 | 113,250,000 | 107,170,000 | 98,710,000 | 91,040,000 | 82,995,000 |
| Debt issued by consolidated district | NA | NA | | | | |
| Total Outstanding Debt at year end | 118,260,000 | 113,250,000 | 107,170,000 | 98,710,000 | 91,040,000 | 82,995,000 |
| Total Outstanding Debt with planned 2016 call | | | 107,170,000 | 98,710,000 | 91,040,000 | 82,995,000 |
| Assessed Values (taxes levied in following year) | | | | | | |
| Existing | 979,621,500 | 988,168,050 | 1,016,267,215 | 1,052,912,930 | 1,091,110,083 | 1,121,012,074 |
| From New Growth | | 28,099,165 | 36,645,715 | 38,197,153 | 29,901,992 | 15,650,508 |
| Total Assessed Value | 979,621,500 | 1,016,267,215 | 1,052,912,930 | 1,091,110,083 | 1,121,012,074 | 1,136,662,582 |
| Assessed Values by type (taxes levied in following year) | | | | | | |
| Residential | 655,016,569 | 689,574,284 | 710,425,309 | 736,352,780 | 750,099,063 | 755,480,421 |
| Commercial | 324,604,931 | 326,692,931 | 342,487,620 | 354,757,302 | 370,913,011 | 381,182,161 |
| Total | 979,621,500 | 1,016,267,215 | 1,052,912,930 | 1,091,110,083 | 1,121,012,074 | 1,136,662,582 |
| Absorption | | | | | | |
| SF Res. | 649 | 582 | 823 | 991 | 226 | - |
| Cumulative | 26,178 | 26,760 | 27,583 | 28,574 | 28,800 | 28,800 |
| MF Res. | 118 | 109 | 125 | 257 | 605 | 376 |
| Cumulative | 4,776 | 4,885 | 5,010 | 5,267 | 5,872 | 6,248 |
| Commercial | 26 | 4 | 30 | 24 | 31 | 20 |
| Cumulative | 1,662 | 1,666 | 1,696 | 1,720 | 1,751 | 1,770 |
| Assessed Value from new growth | | | 36,059,735 | 38,197,153 | 29,901,992 | 15,650,508 |



**Highlands Ranch Metropolitan District
Consolidated Metro Districts Financial Plan**

Projected - Consolidated basis ----->>

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| In 2005 dollars, no inflation assumption (1) | | | | | | |
| Outstanding Debt at year end | | | | | | |
| Debt assumed from Metro Districts | 74,050,000 | 64,665,000 | 55,785,000 | 46,505,000 | 36,775,000 | 28,565,000 |
| Debt issued by consolidated district | | | | | | |
| Total Outstanding Debt at year end | 74,050,000 | 64,665,000 | 55,785,000 | 46,505,000 | 36,775,000 | 28,565,000 |
| Total Outstanding Debt with planned 2016 call | 74,050,000 | 64,665,000 | 55,785,000 | 46,505,000 | 36,775,000 | - |
| Assessed Values (taxes levied in following year) | | | | | | |
| Existing | 1,136,662,582 | 1,145,509,752 | 1,152,924,122 | 1,158,687,191 | 1,172,042,656 | 1,178,321,229 |
| From New Growth | 8,847,170 | 7,414,370 | 5,763,068 | 13,355,465 | 6,278,573 | 3,501,187 |
| Total Assessed Value | 1,145,509,752 | 1,152,924,122 | 1,158,687,191 | 1,172,042,656 | 1,178,321,229 | 1,181,822,416 |

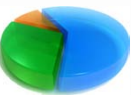
| Assessed Values by type (taxes levied in following year) | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Residential | 759,471,963 | 764,060,505 | 764,823,472 | 764,823,472 | 764,823,472 | 764,823,472 |
| Commercial | 386,037,789 | 388,863,617 | 393,863,719 | 407,219,184 | 413,497,757 | 416,998,944 |
| Total | 1,145,509,752 | 1,152,924,122 | 1,158,687,191 | 1,172,042,656 | 1,178,321,229 | 1,181,822,416 |

| Absorption | | | | | | |
|--------------------------------|-----------|-----------|-----------|------------|-----------|-----------|
| SF Res. | | | | | | |
| SFDUs | (17) | | | | | |
| Cumulative | 28,800 | 28,800 | 28,800 | 28,800 | 28,800 | 28,800 |
| MF Res. | | | | | | |
| MFDUs | (17) | 320 | 53 | | | |
| Cumulative | 6,527 | 6,847 | 6,900 | 6,900 | 6,900 | 6,900 |
| Commercial | | | | | | |
| Acres | (17) | 9 | 10 | 26 | 12 | 7 |
| Cumulative | 1,780 | 1,785 | 1,795 | 1,820 | 1,832 | 1,839 |
| Assessed Value from new growth | 8,847,170 | 7,414,370 | 5,763,068 | 13,355,465 | 6,278,573 | 3,501,187 |



**Highlands Ranch Metropolitan District
Consolidated Metro Districts Financial Plan**

| | | Projected - Consolidated basis -----> | | | | | |
|---|------|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| In 2005 dollars, no inflation assumption (1) | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Outstanding Debt at year end | | | | | | | |
| Debt assumed from Metro Districts | | 22,385,000 | 15,820,000 | 13,365,000 | 11,115,000 | 8,540,000 | 5,835,000 |
| Debt issued by consolidated district | | - | - | - | - | - | - |
| Total Outstanding Debt at year end | | 22,385,000 | 15,820,000 | 13,365,000 | 11,115,000 | 8,540,000 | 5,835,000 |
| Total Outstanding Debt with planned 2016 call | | - | - | - | - | - | - |
| Assessed Values (taxes levied in following year) | | | | | | | |
| Existing | | 1,181,822,416 | 1,185,323,604 | 1,188,824,791 | 1,234,723,091 | 1,234,723,091 | 1,234,723,091 |
| From New Growth | | 3,501,187 | 3,501,187 | 45,898,300 | - | - | - |
| Total Assessed Value | | 1,185,323,604 | 1,188,824,791 | 1,234,723,091 | 1,234,723,091 | 1,234,723,091 | 1,234,723,091 |
| Assessed Values by type (taxes levied in following year) | | | | | | | |
| Residential | | 764,823,473 | 764,823,473 | 764,823,473 | 764,823,473 | 764,823,473 | 764,823,473 |
| Commercial | | 420,500,131 | 424,001,318 | 469,899,618 | 469,899,618 | 469,899,618 | 469,899,618 |
| Total | | 1,185,323,604 | 1,188,824,791 | 1,234,723,091 | 1,234,723,091 | 1,234,723,091 | 1,234,723,091 |
| Absorption | | | | | | | |
| SF Res. | (17) | 28,800 | 28,800 | 28,800 | 28,800 | 28,800 | 28,800 |
| MF Res. | (17) | 6,900 | 6,900 | 6,900 | 6,900 | 6,900 | 6,900 |
| Commercial | (17) | 7 | 7 | 88 | 1,940 | 1,940 | 1,940 |
| Assessed Value from new growth | | 3,501,187 | 3,501,187 | 45,898,300 | - | - | - |



**Highlands Ranch Metropolitan District
Consolidated Metro Districts Financial Plan**

| | Projected - Consolidated basis ----->> | | | TOTAL 2007-2025 |
|---|--|---------------|---------------|--------------------|
| | 2023 | 2024 | 2025 | |
| In 2005 dollars, no inflation assumption (1) | | | | |
| Outstanding Debt at year end | | | | |
| Debt assumed from Metro Districts | 2,990,000 | - | - | - |
| Debt issued by consolidated district | - | - | - | - |
| Total Outstanding Debt at year end | 2,990,000 | - | - | - |
| Total Outstanding Debt with planned 2016 call | - | - | - | - |
| Assessed Values (taxes levied in following year) | | | | |
| Existing | 1,234,723,091 | 1,234,723,091 | 1,234,723,091 | 1,234,723,091 |
| From New Growth | - | - | - | - |
| Total Assessed Value | 1,234,723,091 | 1,234,723,091 | 1,234,723,091 | 1,234,723,091 |
| Assessed Values by type (taxes levied in following year) | | | | |
| Residential | 764,823,473 | 764,823,473 | 764,823,473 | |
| Commercial | 469,899,618 | 469,899,618 | 469,899,618 | |
| Total | 1,234,723,091 | 1,234,723,091 | 1,234,723,091 | |
| Absorption | | | | |
| SF Res. | (17) | - | - | 2,040 |
| Cumulative | | 28,800 | 28,800 | |
| MF Res. | (17) | - | - | 2,015 |
| Cumulative | | 6,900 | 6,900 | |
| Commercial | (17) | - | - | 274 |
| Cumulative | | 1,940 | 1,940 | |
| Assessed Value from new growth | - | - | - | 217,869,895 |



**Highlands Ranch Metropolitan District
Consolidated Metro Districts Financial Plan**

- (1) No inflation assumption consistent with no assumed inflation in Actual Values. Only growth in AV is from new construction.
- (2) Property taxes shown net of Treasurers Fees
- (3) SOTs assumed to be 8% of regular taxes although recent experience is closer to 11%.
- (4) System Development Fees forecast at current rates without inflation
- (5) Tap Fees forecast at current rates without inflation
- (6) Utility rate income for water, wastewater and street lights is forecast with only increases for growth. These revenues are pass throughs to Centennial Water and Xcel
- (7) Recreation programs revenue from fees and field rentals forecast without inflation
- (8) Intergovernmental revenue from shared costs with Centennial Water, UDFCD matching funds and various other sources forecast without inflation
- (9) Other Income includes cell tower leases, lease proceeds etc.
- (10) Net investment income forecast at the interest rate shown using mid-year convention for cashflows
- (11) Debt service is actual principal and interest on the Districts outstanding debt post the 2005 Debt refunding bond issues. No further debt anticipated.
- (12) Capital outlay for general government capital (parks, roads, etc.) based on 2006 budget with remainder of the Facilities Plan assumed to be constructed in the following 5 years.
- (13) Capital outlay for water/wastewater reserved capacity payments to Centennial.
- (14) Operations cost based on the 2006 Master Budget without inflation. District staff near full size. Growth in net budget due to increasing share of Fire Contract costs due to higher growth in H.R.
- (15) Water/wastewater costs and Street Light costs for residential areas - pass through of revenue collected.
- (16) Decline in ending fund balance consistent with District long term financial plan of initial collection of development fees, capital construction and debt pay-off.
 Note the decline in fund balance at the time of the planned call of all debt in 2016 and the subsequent rebound in fund balances.
- (17) Absorptions based on current estimates of ultimate buildout of Highlands Ranch pursuant to the approved master plan.
- (18) The information presented in Section VI (A and B) indicates audited 12/31/2004 fund balances in the general capital projects funds of \$31 million. As of 12/31/2004 the SDF calculation anticipated that through build-out an additional \$47 million in SDF will be collected. Of this \$47 million some \$8.5 million has been or can be reasonably forecasted to be collected during the 2005-2006 pre-consolidation time frame. The model then conservatively estimates that we will collect an additional \$29.8 million during the time frame of 2007-2025. The total of the above is \$38.3 million which means approximately \$8.7 million in SDF may be collected during the period but is not being relied on in making our projections.
 The combined resources, \$31 million in fund balance and the total of \$47 million in SDF would be available to construct the estimated \$33 million for general government infrastructure. Any available funds (existing balances and future SDF collections in excess of the planned expenditures) is available for the stated purpose – the payment of debt issued to fund infrastructure construction. The funding model assumes that these funds will be used for the 2016 or thereafter call of the existing debt.



**Highlands Ranch Metropolitan District
Consolidated Metro Districts Financial Plan**

(19) Reserve capacity is a contractual payment due from the Metro Districts to Centennial. The \$25.7 million in future Reserved Capacity payments described in Section VI(B)-Item 3 is the remaining amounts due for existing inclusions as of 12/31/2004 plus the amounts that future inclusions will trigger in additional Reserved Capacity payments. The payment to Centennial for Reserved Capacity is based on a payment schedule triggered by the timing of inclusions and is not intended to be identical to the actual collection of Tap Fees that will be made as development occurs.

Tap fees to be collected include three components: a base fee which is equal to the same amount per tap as the basis for the calculation of reserved capacity; a surcharge for the acquisition of water; and a surcharge for channel stabilization.

The "capital outlay water/wastewater" includes the two surcharge fees identified above (which are remitted to Centennial in the same year they are collected) and the contractual annual amount of reserved capacity payments.

The pro forma amount of tap fee collections - \$21 million for the post-consolidation period of 2007-2025 does not include the \$11 million anticipated to be collected during the 2005-2006 time frame. Therefore we anticipated total collections of tap fees subsequent to 12/31/2004 to be approximately \$32 million. Similar to the discussion about SDF collection we have understated the potential Tap Fee revenues by assuming approximately \$11 million of collections occur beyond 2025. However we have included all of the Reserved Capacity Fee payments plus approximately \$7.7 million of surcharges with the model.



Exhibit 7 Financial Tables



**Highlands Ranch Metropolitan District
Consolidated District Authorized Debt
Table A-1**

| | Dec. 31, 2005 Outstanding Debt | HRMD 3 Authorized But Unissued | Authorized Debt Total |
|-----------------------------|--------------------------------------|--------------------------------------|-----------------------------|
| Metro 1 | \$ 20,835,000 | | \$ 20,835,000 |
| Metro 2 | 37,870,000 | | 37,870,000 |
| Metro 3 | 39,070,000 | | 39,070,000 |
| Metro 4 | 20,485,000 | | 20,485,000 |
| Outstanding subtotal | <u>118,260,000</u> | | <u>118,260,000</u> |
| General Government | | | |
| Streets/Storm Drainage | | \$ 2,205,000 | \$ 2,205,000 |
| Parks | | 2,510,000 | 2,510,000 |
| Fire Protection | | 1,500,000 | 1,500,000 |
| General Government subtotal | | <u>6,215,000</u> | <u>6,215,000</u> |
| Water and Wastewater | | 63,850,000 | 63,850,000 |
| Total | <u>\$ 118,260,000</u> | <u>\$ 70,065,000</u> | <u>\$ 188,325,000</u> |



Highlands Ranch Metropolitan District
District Authorized Debt - compared to consolidating district authorizations
Table A-2

| | Original Amount Authorized | Issued against Authorization | Authorized But Unissued* | Outstanding as of 12/31/2005 | Total Authorized & Outstanding |
|---|----------------------------------|---------------------------------|--------------------------------|------------------------------------|--------------------------------------|
| MD1 | \$ 68,700,000 | \$ 52,135,000 | \$ 16,565,000 | \$ 20,835,000 | \$ 37,400,000 |
| MD2 | 101,100,000 | 54,588,000 | 46,512,000 | 37,870,000 | 84,382,000 |
| MD3 | 116,000,000 | 46,545,000 | 70,065,000 | 39,070,000 | 109,135,000 |
| MD4 | 154,000,000 | 30,125,000 | 123,875,000 | 20,485,000 | 144,360,000 |
| | <u>\$ 439,800,000</u> | <u>\$ 183,393,000</u> | <u>\$ 257,017,000</u> | <u>\$ 118,260,000</u> | <u>375,277,000</u> |
| Consolidated authorization from Table A-1 | | | | | 188,325,000 |
| Net reduction in authorized but unissued and outstanding debt | | | | | <u><u>\$ (186,952,000)</u></u> |



**Highlands Ranch Metropolitan District
Consolidated Districts Cost of Infrastructure
Cost Summary of Completed and Remaining Infrastructure
Table B**

| General Government Infrastructure | Prior Costs thru 2004 | Remaining to be Constructed 2005-2024 | Gross Costs |
|--|--------------------------|---|-----------------------|
| Arterial Roadways | \$ 57,535,374 | \$ 3,980,799 | \$ 61,516,173 |
| Storm Drainage | 25,536,054 | 1,998,108 | 27,534,162 |
| Channel Stabilization | 8,995,538 | 2,520,403 | 11,515,941 |
| Parkway Landscape | 16,904,604 | 8,361,384 | 25,265,988 |
| Traffic Signals | 5,638,833 | 5,633,857 | 11,272,690 |
| Parks and Trails | 23,446,916 | 10,064,359 | 33,511,275 |
| Fire Protection | 3,780,637 | 74,417 | 3,855,054 |
| Highway Interchange | 9,312,383 | - | 9,312,383 |
| Reserved for Cost Changes | - | 307,062 | 307,062 |
| Total to be constructed | \$ 151,150,339 | \$ 32,940,390 | \$ 184,090,729 |
| | 82% | 18% | 100% |

Source: Metro Districts 2004 Facilities Plan Summary

Water/Wastewater Capacity

| | | | |
|--------------------------------|----------------|---------------|----------------|
| Reserved Capacity Payments Due | \$ 156,885,058 | \$ 25,743,382 | \$ 182,628,440 |
| | 86% | 14% | 100% |

Source: Centennial Water and Sanitation District draft 2005 Facilities Plan



**Highlands Ranch Metropolitan District
Consolidated Districts Projected Actual and Assessed Values
Table C**

| | 2004 Certified | | |
|---|-----------------------|-------------------|--------------------------|
| | Actual Value | Assessed Value | |
| Metro 1 | \$ 2,497,319,918 | \$ 280,566,280 | |
| Metro 2 | 2,405,183,502 | 263,173,750 | |
| Metro 3 | 1,905,215,173 | 175,783,830 | |
| Metro 4 | 1,911,312,140 | 168,561,140 | |
| Combined | \$ 8,719,030,733 | \$ 888,085,000 | |
| AV as % of Actual | | 10.19% | |
| Residential only | \$ 7,847,884,045 | \$ 624,691,570 | |
| Avg. per Residence (includes Multi-Family and Single Family) | \$ 269,000 | \$ 21,400 (1) | |
| Commercial only | \$ 832,298,897 | \$ 241,366,680 | |
| Avg. per acre | \$ 1,138,000 | \$ 330,000 | |
| | Projected 2016 | | |
| | Actual Value | Assessed Value | % of full Development |
| Consolidated at 100% of expected growth (2) | 11,046,262,477 | \$ 1,181,822,416 | 100% |
| AV as % of Actual | | 10.70% | |
| % change | 26.69% | 33.08% | |
| Consolidated at 75% of expected growth (3) | 10,688,400,000 | 1,133,180,000 | 96% |
| AV as % of Actual | | 10.60% | |
| % change | 22.59% | 27.60% | |

(1) Calculation based on certified assessed values as of 1/1/04 divided by the number of dwelling units and acres of commercial property that had paid development fees by that date. May differ slightly from actual number of properties assessed by the Douglas County Assessor as of that date.

(2) Projection based on the full buildout of all planned development within Highlands Ranch.

(3) Projection based on the 75% of the remaining planned development within Highlands Ranch. Presented here to illustrate the relatively mild risk of less-than-full development to the property tax base of the consolidated district. This is in stark contrast to the high level of development risk faced by new districts that may or may not develop.

*Source: Douglas County Assessor certifications, District records and
District projections of development*



Highlands Ranch Metropolitan District
Consolidated Metro Districts Projected Operations and Maintenance Expenses
Table D

| | Total w/o Inflation | Mill Levy Equiv. (2) | |
|---|------------------------|-------------------------|---------|
| 2006 Master Budget (O&M) Budgeted Expenditures - gross | | | |
| Fire Protection | \$ 5,422,660 | | |
| Street Lights | 315,000 | | |
| Parks and Open space | 5,870,910 | | |
| Recreations services | 852,280 | | |
| Public Works | 605,278 | | |
| General Government | 2,063,025 | | |
| Miscellaneous capital and transfers | 913,457 | | |
| | 16,042,610 | | |
| Non-tax Offsetting Revenues (1) | | | |
| Recreation services programming | (841,350) | | |
| Costs of employees/admin costs shared with Centennial/other funds | (924,765) | | |
| Lease proceeds | (236,000) | | |
| Telecommunication leases | (224,000) | | |
| Other | (123,585) | | |
| Net 2006 Master Budget (O&M) Budgeted Expenditures | \$ 13,692,910 | 13.98 | |
| Forecasted additional costs due to future infrastructure development | | | |
| | Estimated | | |
| | Acres | Cost/acre | |
| plus added Irrigated Park O&M costs | 17 | 8,900 | 152,000 |
| plus added Non-Irrig. Park O&M costs | 26 | 4,800 | 123,000 |
| plus added Open Space O&M costs | 490 | 400 | 196,000 |
| plus added Parkways O&M costs | 26 | 7,000 | 180,000 |
| Forecasted Fire Protection cost increases resulting from | | | |
| Highlands Ranch growth in AV and calls greater than that of the other two parties to the shared Fire Protection contract. (3) | | 2,200,000 | |
| 2016 Estimated Master Budget (O&M) Expenditures (net) | \$ 16,543,910 | | |
| % change | 21% | | |
| Mill Levy equivalent at 100% of planned growth | | 14.00 | |
| Mill Levy equivalent at 75% of planned growth | | 14.60 | |

(1) Offsetting revenue includes cost sharing agreements with Centennial Water and Sanitation District, various other sources of revenue and Recreation Programs revenue. These sources of revenue are expected to continue. Fees generated by Recreation Programs are expected to fully offset any increased costs related to those programs.

(2) Mill Levy Equivalents do not include other sources of funding available to fund the Master Budget. In particular, other funding includes Specific Ownership Taxes that are expected to be in approximately 8-10% of total property tax revenue and investment income on retained fund balances.

(3) The existing fire contract with the City of Littleton and the Littleton Fire Protection District allocates costs to each of the parties based on their proportionate share of total assessed value and calls. The increase represents the absolute worst case scenario in allocation of Fire Protection costs under the contract. Assumes that the AVs of the other two partners do not change and that the AV of the consolidated Highlands Ranch Metro Districts increases due to the 100% growth scenario only (not including any inflation in actual values or inflation in expenditures). Also assumes that ultimate call ratio is equivalent to the AV ratios.



**Highlands Ranch Metropolitan District
Consolidated Districts Outstanding Debt
Outstanding Debt to be Assumed
Table E**

| | Dec. 31, 2005 Outstanding Debt | |
|-----------------|--------------------------------------|------------------------------|
| Metro 1 | | |
| Series 1995 | \$ 2,310,000 | |
| Series 1997 | 13,055,000 | |
| Series 2005 | <u>5,470,000</u> | |
| | | \$ 20,835,000 |
| Metro 2 | | |
| Series 1996 | \$ 11,570,000 | |
| Series 2005 | <u>26,300,000</u> | |
| | | \$ 37,870,000 |
| Metro 3 | | |
| Series 1998 A&B | \$ 15,405,000 | |
| Series 1999 | 1,260,000 | |
| Series 2005 | <u>22,405,000</u> | |
| | | \$ 39,070,000 |
| Metro 4 | | |
| Series 1997 A&B | \$ 1,645,000 | |
| Series 1998 | 9,305,000 | |
| Series 2005 | <u>9,535,000</u> | |
| | | \$ 20,485,000 |
| TOTAL | | <u><u>\$ 118,260,000</u></u> |

