

TIMNATH RANCH METROPOLITAN DISTRICTS NOS. 1, 2, 3 & 4

SUMMARY

The Timnath Ranch Metropolitan Districts Nos. 1, 2, 3 & 4 (the “Districts”) are independent units of local government, in the Timnath Ranch Subdivision, within the boundaries of but separate and distinct from the Town of Timnath. The Districts are political subdivisions of the State of Colorado, designed to serve as quasi-municipal corporations each operating with an elected five-person Board of Directors. The primary purpose of the Districts is to finance the construction of the public improvements and related infrastructure for the use and benefit of all anticipated inhabitants and taxpayers of the Districts, and to provide an on-going institutional structure for the operation and maintenance of irrigation water systems, signage, park, recreation, and landscaping facilities.

The primary benefits of utilizing a Colorado Special District rather than a homeowner’s association are:

1. Limited liability through the Colorado Governmental Immunity Act;
2. The ability to use, among other sources of revenue, the power of taxation to collect the cost of service and infrastructure on an equitable basis, through income tax deductible means;
3. Exemption of the Districts and its assets from Colorado property, sales, and income taxes.

The Amended Consolidated Service Plan for the Districts (the “Service Plan”) was approved by the Timnath Town Council October 3, 2007, and the Districts organization and initial debt authorization was approved by the voters of the Districts November 6, 2007. The Districts have certified a mill levy of 49.75 mills for Districts 1 & 2 and 35 mills for Districts 3 & 4 and have assessed a one-time Development Fee against all lots and a General Operations Fee for the purposes of defraying the costs of constructing, acquiring, installing and any related costs of administration, operations, maintenance of Public Infrastructure owned, operated and maintained as well as District statutory compliance, insurance and annual reporting matters.

THE SERVICES

The Service Plan for the Districts provides the Districts with the ability to finance the construction, acquisition and installation of the public improvements needed for the Timnath Ranch development. It also authorizes the Districts to provide for ongoing operations and maintenance of certain limited purposes, including signage and monumentation, park and recreation facilities, irrigation water systems and landscaping services. The main function of the raw water irrigation is to provide untreated water for irrigating greenbelts, parks and open spaces thereby avoiding expensive and unnecessary treatment. Upon completion, certain public improvements financed through the Districts will be dedicated to the Town of Timnath, the South Fort Collins Sanitation District, and Fort Collins – Loveland Water District or to their

designees for ownership, operation and maintenance. The Districts could, through a future amendment to the Service Plan, provide additional services if the constituents were to so choose at some future date. The Districts have been designed to avoid the necessity of a homeowner's association, and as currently permitted by law, may be utilized for covenant enforcement and design review. The Districts have elected to have the Districts provide covenant enforcement, design review, and certain homeowners' association functions permissible under Colorado law and eliminate the necessity of duplicative homeowners' associations and a separate homeowners' association fee.

TAX BURDENS AND MILL LEVIES

Based upon the authorization of the Districts' Service Plan, all District bonds or other obligations of which the Districts have promised to impose an *ad valorem* property tax mill levy (the "Debt") is expected to be repaid by taxes imposed and collected at a tax mill levy for the 2016 tax year where the Total Combined Mill Levy (50 mills) and the Maximum Debt Mill Levy (35 mills) is assessed against all taxable real and personal property within the Districts. Such mill levies may be "Gallagherized" or adjusted if, on or after January 1, 2007, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitation applicable to such Debt may be increased or decreased to reflect such changes. Such increases or decreases are to be determined by the Board in good faith so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted for changes occurring after January 1, 2007, are neither diminished nor enhanced as a result of such changes.

DEBT AND FEES

As of January 1, 2016 Districts 2, 3 and 4 (in conjunction with District 1 as the Service District) are authorized to issue up to \$25 million of limited general obligation debt, and to assess up to a 50.0 mill levy. The total combined mill levy for both operations and debt service is capped pursuant to the Service Plan at 50 mills; the debt service portion of the total combined mill levy is further capped at 35 mills; the mill levies may be adjusted upward or downward over time as permitted in the Service Plan. The Districts' debt will primarily be used to pay for the Districts' amenities, including but not limited to, parks, landscaping, greenbelts, open space, recreation facilities and improvements, and raw water system infrastructure and will also be used to pay for a portion of the costs of construction for public infrastructure primarily streets and roadways, water systems, parks and recreation, sanitation and drainage, raw water system infrastructure, and other public infrastructure as permitted by the Service Plan.

The Districts have established a one-time Development Fee for all residential and non-residential property within the District's boundaries. The Development Fee may increase by up to the Denver-Boulder-Greeley CPI each year thereafter (as an inflation adjustment) commencing January 1, 2008 until no residential or commercial units remain to be constructed within the Districts.

Effective January 1, 2011, the Districts established a General Operations Fee to be assessed against all single family and multi-family residential units and commercial units. The annual fee is evaluated annually at the time of budget preparation and will be used to pay for the

annual costs and expenses associated with the operation and maintenance of public facilities, amenities, services, and functions to be provided by the Districts including but not limited to: landscaping and common areas, operations and maintenance of the public park and recreation facilities and improvements, insurance, accounting and statutory compliance matters and requirements and the costs associated with assuming the ownership and operation of all facilities, improvements and services traditionally provided by homeowners associations as permitted by Colorado law. Until the District either has its own pool or access to a local or regional pool and recreational facilities, the District Boards of Directors may negotiate access and use of nearby pools on an annual basis.

HOW TO CALCULATE THE RESIDENTIAL ASSESSMENT (DISTRICT NOS. 1 & 2)

The cost to fund the Residential Districts will be billed to each homeowner annually as part of the Larimer County Property Tax Bill. Each homeowner will be assessed based on the following formula:

Appraised value as determined by the County Assessor X the assessed rate (currently 7.15%) X .050098

The assessed rate is set by the state legislature with certain constitutional requirements.

BOARD MEMBERSHIP AND PUBLIC REVIEW

Each District is controlled by a five-person Board of Directors, elected at-large, serving four-year staggered terms. Board Member elections are held in May of even numbered years by state statute. The Districts are responsible for producing and filing with the state independent audits of their financial activities, annual budgets, and they are otherwise subject to many state requirements for filings and reportings.

BOARD MEMBERS OF THE DISTRICTS

The current Board Members of the Districts and their current terms are as follows:

Jonathan A. Turner (District Nos. 1-4)
(term expires May 2022)

Andrew M. Krill (District Nos. 1-4)
(term expires May 2023)

Martha F. Turner (District Nos. 1-4)
(term expires May 2022)

Dustin Khaffaji (District No. 2)
(term expires May 2023)

Christopher J. Frye (District Nos. 1, 3, 4)
(term expires May 2022)

Jason O’Hara (District No. 2)
(term expires May 2022)

Emily Kupec (Districts Nos. 1, 3, 4)
(term expires May 2022)