

**SECOND MODIFICATION TO THE
ORIGINAL CONSOLIDATED SERVICE PLAN
FOR
BRADBURN METROPOLITAN DISTRICT NOS. 1, 2 AND 3
CITY OF WESTMINSTER, COLORADO**

Prepared by:

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I. INTRODUCTION

Formation of the Bradburn Metropolitan District Nos. 1-3 (the “**Districts**”) was approved by the City of Westminster (the “**City**”) in conjunction with the conditional approval of the Consolidated Service Plan for the Districts on September 11, 2000 (the “**Original Service Plan**”). The City Council’s Resolution of Approval conditionally approved the Original Service Plan, subject to acceptance by staff of certain required amendments. On April 23, 2001, City Council approved the First Modification to the Original Service Plan (the “**First Modification**”) which incorporated the amendments necessary to bring the Original Service Plan into conformity with the requirements of the City Council’s Resolution of Approval.

Section I, Introduction, Paragraph A, General Overview, of the Original Service Plan provides that Bradburn Metropolitan District No. 1 (“**District No. 1**”) shall be known as the “Operating District” and Bradburn Metropolitan District Nos. 2-3 shall be known as the “Taxing Districts.” As discussed throughout the Original Service Plan, and the First Modification, the Taxing Districts were anticipated to provide necessary funding to the Operating District for purposes of constructing, operating and maintaining the public facilities and improvements. As contemplated by Exhibit I of the Original Service Plan, the Districts memorialized this funding arrangement through the execution of that certain District Facilities Construction and Service Agreement, dated January 1, 2002, which was subsequently amended by that certain First Amendment to the District Facilities Construction and Service Agreement, dated December 23, 2003 (collectively, the “**Master IGA**”).

Section V.A. of the First Modification provides that Bradburn Metropolitan District No. 3 (the “**Residential District**” or “**District No. 3**”) shall be subject to a Mill Levy Cap of thirty (30) mills; provided, however, that in the event the method of calculating assessed valuation is changed after the date of approval of the First Modification, the Mill Levy Cap may be increased or decreased to reflect such changes. As a result of changes to the method for calculating assessed valuations, the current Mill Levy Cap for the Residential District is 36.708 mills. Of this 36.708 mills, the Residential District is currently applying 34.627 mills to debt service and 2.081 mills to operations and maintenance responsibilities.

On August 1, 2014, District No. 3 entered into that certain \$7,110,000 General Obligation Tax-Exempt Loan, Series 2014 with Compass Bank (the “**Series 2014 Loan**”). The Series 2014 Loan is secured by a promissory note, currently bears interest at the rate of 3.55% until the maturity date of August 1, 2021, after which the interest rate changes to 6.50% plus 65% of 30-day LIBOR, recalculated monthly. The Series 2014 Loan is a short term loan with a balloon payment due at maturity. As of the date of this Second Modification, there is \$6,845,000 in principal still outstanding on the Series 2014 Loan.

On December 1, 2003, District No. 3 issued its \$630,000 Subordinate General Obligation Limited Tax Bonds, Series 2003 (the “**Subordinate Bonds**”). The Subordinate Bonds are due on December 15, 2034 and bear interest at a rate of 8.00%. The Developer currently holds the Subordinate Bonds and as of June 30, 2016, the unaudited and accrued interest on the Subordinate Bonds is \$1,020,093. When pledged revenue satisfies the flow of funds required by the Series 2014 Loan, the excess pledged revenue flows to the Subordinate Bonds for debt service.

District No. 3 has determined that the current interest rate market presents an opportunity to fully refund both the Series 2014 Loan and Subordinate Bonds. Based on certain assumptions, the refunding would result in a savings on the outstanding debt service which would otherwise be payable on the Series 2014 Loan and the Subordinate Bonds, and should allow the District to reduce its debt service mill levy. However, under the current Mill Levy Cap provided by the First Modification, the borrowing costs for District No. 3 are increased significantly and the current tax base cannot support the full refunding of the Series 2014 Loan and the Subordinate Bonds. The current Mill Levy Cap makes this potential refunding cost-prohibitive and without this Second Modification, District No. 3 will not be able to realize the potential savings to its taxpayers.

In conjunction with the anticipated refunding of the Series 2014 Loan and the Subordinate Bonds, commencing on January 1, 2017, District No. 3 shall operate as an independent district that handles its own operational, maintenance and administrative responsibilities, separate and apart from the continued relationship between District No. 1 and Bradburn Metropolitan District No. 2. As such, the Districts hereby desire to establish that, as of January 1, 2017, District No. 3 will no longer be considered a Taxing District for purposes of either the Original Service Plan or the First Modification. Furthermore, the Districts intend to enter into that certain Second Amendment to the District Facilities Construction and Service Agreement (“**Second Amendment to Master IGA**”) to establish that District No. 3 will no longer be obligated by the terms and conditions of the Master IGA.

II. SECOND MODIFICATION

The Board of Directors of District No. 3 has determined it is in the best interests of the residents, property owners, and taxpayers of District No. 3 for the City to approve this Second Modification in order to (i) clarify that the issuance amount of the proposed refunding or any future refunding shall not count against the general obligation debt limitation set forth in Section V.A. of the First Modification; (ii) remove the Mill Levy Cap for District No. 3 with respect to any obligations issued to refund District No. 3's currently outstanding indebtedness, described as the Series 2014 Loan and the Subordinate Bonds; (iii) establish parameters on the operations and maintenance portion of the District No. 3 mill levy; and (iv) establish that District No. 3 may not issue any additional new money general obligation debt without first obtaining approval from the its eligible electors.

Except where otherwise indicated, this Second Modification is intended to be read in conjunction with the Original Service Plan and the First Modification. Unless the context indicates otherwise, all capitalized terms contained herein shall have the meaning as set forth in the Original Service Plan and the First Modification.

III. AMENDMENTS

1. This Second Modification hereby reaffirms and clarifies that the combined new money general obligation debt limitation of \$20,000,000 (subject to a conditional increase to no more than \$30,000,000) contained in Section V, Financial Plan, Paragraph A, General Plan of Finance shall not apply to any obligations issued for the purpose of paying the costs of

refinancing, refunding or otherwise restructuring debt existing as of the date hereof, being the debt currently represented by the Series 2014 Loan and the Subordinate Bonds, including the proposed 2016 refunding bonds and any future refundings of such proposed 2016 refunding bonds (“**Refunding Bonds**”) and shall only apply to those obligations other than Refunding Bonds (“**New Money Bonds**”). The proposed issuance of New Money Bonds in excess of the general obligation debt limitation shall continue to be considered a material modification requiring the approval of the City.

2. Section V, Financial Plan, Paragraph A, General Plan of Finance, for the Residential District, provides that there shall be a Mill Levy Cap of thirty (30) mills within the Residential District that may be increased or decreased in the event the method of calculating assessed valuation is changed after the approval date of the First Modification. In addition to the modification of the Mill Levy Cap resulting from changes to the method of calculating assessed valuations, this Second Modification establishes that the Mill Levy Cap for the Residential District provided in this Section shall be waived with respect to any Refunding Bonds of District No. 3. Notwithstanding this waiver, the Mill Levy Cap shall remain in effect with respect to any New Money Bonds of District No. 3 and the Mill Levy Cap for the Commercial District shall not be changed by this Second Modification.

3. Section V, Financial Plan, Paragraph B, Operating Costs, for the Residential District, discusses how District No. 3 will fund its ongoing operational expenses and contemplates that the Districts will enter into various IGAs to establish the financing obligations associated with these ongoing operational expenses. This Section of the First Modification provides that payments made by District No. 3 to the Operating District for operations and maintenance expenses shall be considered “debt” and paid from a mill levy that is certified by District No. 3 as a debt service mill levy. In conjunction with the approval of this Second Modification, it is anticipated that the Districts will enter into that certain Second Amendment to Master IGA so that District No. 3 is no longer required to provide funding to District No. 1 and becomes responsible for its own operational and administrative needs and the expenses associated with the same. Following execution of the Second Amendment to Master IGA, District No. 3 will no longer certify a mill levy that is characterized as a debt service mill levy for payments made to the Operating District.

Notwithstanding the anticipated ownership and maintenance of improvements contemplated by Section IV, Description of Proposed Facilities, Paragraph H, Ownership/Operation of Facilities by Districts, pursuant to this Second Modification, District No. 3 shall have the authority to own, operate and maintain certain improvements, solely within its boundaries, including but not limited to the alleyways. Any contracts, either between the Districts or with a homeowners’ association, delegating the ownership, operations or maintenance responsibilities of District No. 3 to the Operating District, may be amended following approval of this Second Modification such that District No. 3 is subsequently responsible for those improvements that have not otherwise been conveyed to the City or other governmental entity. The Residential District may, but is not required to, contract with homeowners’ associations for the actual performance of the operation and maintenance of some or all of the improvements the Residential District owns.

As approved by the voters at the November 7, 2000 election, District No. 3 may impose, without limit, a mill levy sufficient to generate up to \$100,000 of annual revenue to pay operations, maintenance and other expenses of District No. 3 (“**O&M Cap**”). It is anticipated that District No. 3 may need to increase the O&M Cap at some point in the future. Any increase in the O&M Cap will require approval by the eligible electors of District No. 3 at a properly held election. Nothing contained herein shall prohibit or limit the ability of District No. 3 to seek voter approval for an increase in the O&M Cap of up to fourteen (14) mills or the equivalent amount of revenue generated by a levy of no more than fourteen (14) mills.

4. Section V, Financial Plan, Paragraph A, General Plan of Finance anticipates that the Districts will enter into the Master IGA to establish the responsibility of the Taxing Districts to provide funding to the Operating District for the purpose of constructing the public facilities and improvements within the Districts. Upon execution of the Second Amendment to Master IGA, District No. 3 shall no longer be obligated to provide funding to the Operating District for purposes of financing any past or future construction of public facilities or improvements within District No. 3.

5. Section V, Financial Plan, Paragraph A, General Plan of Finance provides that the Districts, collectively, are subject to a combined new money general obligation debt limitation of \$20,000,000. This \$20,000,000 debt limitation may be increased up to \$30,000,000 with administrative approval after submittal of a revised financing plan that supports an increased debt limitation. Any increase in the debt limitation beyond \$30,000,000 shall be treated as a material modification requiring City Council approval.

Notwithstanding the debt limitation described above, pursuant to this Second Modification, District No. 3 shall be required to obtain approval from the City prior to issuing any additional New Money Bonds. This required approval shall not apply to the Commercial District which may continue to issue New Money Bonds in accordance with the debt limitation established by Section V, Financial Plan, Paragraph A, General Plan of Finance.

IV. EFFECT OF SECOND MODIFICATION

Except as specifically amended as set forth above, all other provisions of the First Modification shall remain in full force and effect. To the extent there are any inconsistencies between this Second Modification and the First Modification, this Second Modification shall control.

V. CONCLUSION

The information set forth herein, together with the information contained in the Original Service Plan and the First Modification, forms a sufficient basis for the City Council to make the following findings:

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

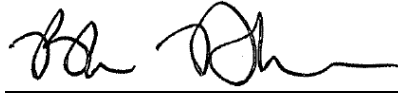
(b) The existing service in the area to be served by the Districts is inadequate for present and projected needs;

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

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

Therefore, it is requested that the City Council, which has jurisdiction to approve this Second Modification by virtue of Section 32-1-201, C.R.S., *et seq.*, as amended, adopt a resolution which approves this Second Modification as submitted.

Respectfully submitted,

By: 
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