ASPEN VILLAGE METROPOLITAN DISTRICT SERVICE PLAN

A. GENERAL REVIEW

Section A.1 Introduction.

The Aspen Village Homeowner's Association is presently responsible for the operation and maintenance of a private road system, a private water system, a private waste water system, and private recreation facilities and provides for facility improvements and safety protection within the Aspen Village area. The Association is also contractually responsible for the treatment and delivery of water and the collection and treatment of waste water from residences and businesses outside of Aspen Village.

There is a future need for improving, rehabilitating, or replacing the Aspen Village water, sewer, road and recreation systems to continue to produce an adequate, compliant and reliable source of services throughout the Aspen Village service area. As of the date of this service plan, there is no efficient and reliable source for the provision of such infrastructure improvements, which will be required as a result of changing water quality laws and regulations, and the physical and economic life of the present facilities.

Since the proposed services are not presently available to Aspen Village through Pitkin County or another local government utility, the proponents of the Aspen Village Metropolitan District (hereinafter "District") have determined that these services would be more efficiently and reliably provided by a special district. The District is proposed to be incorporated for the following municipal services:

Water Supply: including operation and maintenance of a ground water supply, treatment, and potable water storage and distribution system, a raw water irrigation system, and funding of improvements and/or replacement and the development, design, construction, and inspection of all potable and raw water facilities, and infrastructure and purchase of water rights if necessary.

Sanitary Sewer: including operation and maintenance of a collection, treatment and disposal system and the funding of improvements and/or replacement and the development, design, construction, and inspection of all sanitary sewer and waste water facilities, and infrastructure.

Recreation: including the operation and maintenance of existing facilities for swimming, a community center and playground, open space and trails and the development, design construction and inspection of new or replacement facilities.

Street Improvements: including rehabilitation and maintenance of roads, streets, bridges, traffic medians, road right-of ways, street lighting, parking lots and/or parking structures, curb and gutter, road drainage ways, culverts, pedestrian walkways, storm drainage, under drain system, and snow plowing and removal. Street improvements include both in district and out of district improvements that may be required by the County, its engineering standards or environmental conditions.

Safety Protection: including operations and maintenance and the funding of capital improvements associated with transportation, including street signs, transportation safety, bus shelters, traffic lights and controls.

Solid Waste: including the collection, transport and disposal of solid waste and the collection and transport of recyclable materials.

The above list of services is intended to provide a general description of the services, facilities and structures to be offered by the District. Services not specifically identified but which logically fall with the above described areas may be provided, including facilities which may be required for the prudent operation of the District. More specific examples of the services that the District is expected to provide are:

> the operation and maintenance of the existing ground water based community potable water and fire protection system, and the future rehabilitation and/or replacement of the same;
>
> the operation and maintenance of the existing sanitary sewer collection and treatment system, the future rehabilitation and/or replacement of the same;
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> the operation and maintenance of the existing community raw water irrigation system, and improvements or extensions of the same;
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> the operation and maintenance of the existing community road system and the reconstruction of roads, sidewalks and underground utilities within the village;
>
> the operation and maintenance of the existing community recreation facilities, open space and trails and administrative offices;
>
> the operation and maintenance of and improvements to the existing storm water drainage systems;

collection and disposal of solid waste, as allowed by law and collection and transport of recyclable material; and

the operation and maintenance of improvements to traffic and safety systems and improvements.

The financial pro forma attached hereto as Exhibit "E" was written to cover the cost of maintaining and operating the public infrastructure for the Aspen Village Subdivision and lands immediately adjacent to the proposed District (all collectively referred to herein as the District's Service Area). Because there is no present need to replace any existing facilities, a revised financial plan will need to be drafted in the future to address the planning, design and construction costs associated with any facility replacement or rehabilitation. The Four year financial pro forma includes approximately $100,000 in funds that have been set aside by the Aspen Village Homeowners Association for facility improvements. These funds are proposed to be conveyed to the District following its formation and retained for similar capital purposes.

The twenty year cash flow forecast prepared for this service plan does not include the future issuance of debt for the purpose of reconstructing one or more of the existing municipal systems. Facilities to be rehabilitated or replaced will include infrastructure both inside and outside of the District's corporate boundaries. However, the extension of facilities or the extension of water or sewer service to additional portions of the District's Service Area will occur only after additional financial analyses are completed which document financial feasibility of any additional facilities or service to be provided and a determination that the provision of service outside the corporate boundaries of the District is beneficial to the District, does not create any burden on the District or its constituents and meets with the purpose and intent of the District.

The financial pro forma establishes a schedule for the collection of *ad valorem* taxes, fees and charges to fairly assess property owners for their pro rata share of capital, operating and maintenance costs for all improvements within the district. It is intended that the mill levy will be set according to facility and infrastructure requirements within the District. A combination of property tax revenues, water rates and fees and other revenues will be used to cover all costs of operation and maintenance and minor capital costs.

It is anticipated that property owners within the existing Aspen Village Subdivision will initially replace their present non-deductible homeowners dues with deductible property taxes, which will be increased to cover the present cost of operating the water, sewer, roads, transportation, safety, trash and recreation systems and amenities of Aspen Village. Taxes will also be used to establish reserve accounts for the eventual replacement or improvement of existing facilities. While such replacements are anticipated, they are not currently planned for or specifically funded and reserve accounts may not fully fund all anticipated costs of future improvements.

Consequently, taxes may be increased by a future vote of the District's constituents for the design, construction and installation of replacement water, sewer, road and community recreation systems to serve an estimated one hundred fifty nine existing lots. It is also presently intended that future provision of services to others within the service area shall be provided only through an extra-territorial service agreement and payment of appropriate system costs, fees and charges or the inclusion of lands into the District and the payment of all appropriate system development costs, fees and charges.

Future decisions regarding replacement and funding sources for capital expenditures will be made by the District's elected Board of Directors. Future funding for capital replacements may be made through the issuance of revenue bonds, general obligation bonds, grants, loans or fee income. No debt which requires an increase in property taxes can be approved without an affirmative vote of the District's constituents.

Section A.2 **Benefits of a Metropolitan District**

The establishment of the Aspen Village Metropolitan District as the entity which will own and operate the roads and recreation facilities within Aspen Village, and the public water supply and distribution facilities and public sewer facilities throughout the District's service area will allow for the collection of fees, charges and tax revenues sufficient to pay the costs of maintaining, operating and constructing the capital improvements necessary to serve its constituency and service customers.

The creation of the District will also provide several benefits for the inhabitants of the service area, as compared to providing the same services through the existing homeowner's association.

1. Common area property owned by a district (i.e. parks and open space) is removed from the tax rolls, and thus not made a part of the County Assessor's calculation of home values.
2. The services and facilities provided by a special district are provided under protection of the Colorado Governmental Immunity Act, which limits the liability of the district and in many instances eliminates it

altogether. For example, if a district improperly maintains public open space and someone is injured as a result, the exposure of the district is capped at $150,000 per person injured and $600,000 for any one occurrence if there are multiple injuries. This limitation has the direct result of lowering insurance costs that would otherwise by paid by the HOA, often dramatically.

3. The district typically collects its revenues for service by taxing property within the district, rather than collecting HOA dues, (though districts have fee assessment powers as well). This results in operational efficiencies, as the County collects the taxes that the district levies and pays them over to the district, eliminating accounts receivable, and collection efforts on the part of the HOA
4. The fact that taxes rather than fees are collected also means that the homeowner deducts the cost of services on his federal income tax return, rather than paying nondeductible HOA dues. Accordingly the homeowner may pay the same dollars to the district through his taxes, but the actual out-of-pocket cost is approximately 30% less.
5. The fact that the district levies taxes makes it eligible for a share of the state-wide "specific ownership taxes" (the taxes paid on vehicles when licensed). Typically this amounts to 5% of the District's annual tax revenues and acts to offset the fee charged by the County for the collection of property taxes.
6. As a district with recreation powers and residents, it will be eligible to receive a share of the Colorado Trust Fund dollars generate as a result of lottery ticket sales.
7. If borrowing is necessary to complete capital projects or replacements, the District is able to borrow at significantly reduced interest rates that a

private HOA.

B. GENERAL PLANS FOR FACILITIES AND SERVICE

Section B.1 **Introduction**

The facilities, structures and services to be constructed and provided within the Aspen Village Metropolitan District will serve residents of Aspen Village and Pitkin County. In order to properly manage the provision of these essential services it is proposed that the District be organized to act as the central service providing entity.

This Service Plan is submitted in accordance with Part 2 of the Special District Act (C.R.S. §32-1-201 et seq.) and defines the powers and authorities of, as well as the limitations and restrictions on, Aspen Village Metropolitan District. This Plan outlines the special district services to be provided by the proposed District and addresses the lack of available municipal services from other governments.

The sections, tables, and appendices of this service plan will demonstrate both a need for the organization of a special district as well as the ability of the proposed District to provide economical and efficient municipal services to the proposed service area. This document has been prepared by Beach Resource Management, LLC of Aspen, Colorado, for the District's proponents and organizers.

Section B.2 **Statutory Requirements**

In order to document the ability of the proposed metropolitan district to reliably and perpetually provide the core services being proposed, the requirements of

C.R.S. § 32-1-203, *et seq.,* must be met. This statute provides that Pitkin County shall have the authority to approve the proposed district if the following requirements can be satisfactorily demonstrated:

1. There is sufficient existing and projected need for organized service in the area to be served.
2. That existing service in the area to be served by the proposed district is inadequate for present and projected needs.
3. The proposed district is capable of providing economical and sufficient service within its proposed boundary.
4. The District has, or will have, the financial ability to provide the proposed services on a reasonable basis. The Service Plan must also show that an adequate service (of the type of services to be included within the District) is not available through the County or some other municipal government within a reasonable time or on a comparable basis; that the facility and service standards are compatible with standards of the County; the proposed service plan is in substantial compliance with the Pitkin County Development Plan and any duly adopted County, regional or state long range water quality management plan for the area; and that the creation of the District will be in the best interests of the area proposed to be served. This service plan addresses each of these requirements and the plan demonstrates that all requirements of C.R.S. § 32-1-202 and 203 will be satisfactorily met.

Section B.3 **Existing Governments and Services**

Pitkin County is the only general purpose government currently providing municipal services in the immediate vicinity of the proposed service area. However, there are a number of special districts providing limited services in this area including the Aspen Fire Protection District, the Aspen Valley Hospital District, the Roaring Fork Transit Authority, the Pitkin County Library District, the Aspen School District and Colorado Mountain College, the Aspen Ambulance District and the Colorado River Water Conservation District.

The County provides public safety (police) and road maintenance on nearby County roadways but does not provide street or road services within Aspen Village. Recreational services provided by the County are limited to parks and open space not within the Village.

Fire protection and suppression is presently provided by the Aspen Fire Protection District. There is a community water system now serving Aspen Village but there are no fire hydrants within the subdivision nor portions of the District's proposed service area. The potable water system is ground water based and delivers water to Aspen Village, several residences outside of the village, one commercial business and the AFPD fire station adjacent to the village.

While it is not the intent of the proposed District to duplicate the services now being provided by any of the previously described governments or their respective agencies and/or departments, the services intended to be provided by the District are not presently available from any other existing private or government entity at a reasonable rate or within a reasonable time frame. Further, the proposed district would provide services within an area which may be serviced more efficiently and effectively by a new metropolitan district than by a homeowners' association.

Therefore, in order to fund, operate and maintain existing streets, recreation facilities, water and waste water systems and to provide for safety protection and improvements to existing facilities of Aspen Village and its service area, it is clear that several advantages may accrue from the establishment of the proposed District. These advantages are explained in more detail in the following section.

Section B.4 **Need for Proposed Services**

The area to be included within the proposed metropolitan district is detailed on mapping included as Exhibit B and more fully discussed below.

In order to provide a safe, reliable and reasonable level of services to support this residential subdivision, the organizers of the proposed metropolitan district have concluded that certain benefits would be realized by the establishment of the district when compared to services provided by a private entity or an homeowners' association. For example, a special district provides a perpetual entity ensuring the long term viability of constructing, operating and maintaining the improvements pertaining to both the roads and public water and waste water systems required within the Aspen Village Metropolitan District's service area. The improvements and services associated with them are not all available through a single existing government entity, nor has any government entity offered to provide these services at the desired level of service and at a reasonable cost.

The establishment of a metropolitan district provides a mechanism for the collection of ad valorem taxes, fees and charges to fairly assess residential property owners for their pro rata share of capital, operating and maintenance costs within the new communities. Costs for insuring public facilities, or providing public services, may be reduced by utilizing the advantages of the Colorado Governmental Immunity Act.

The establishment of a metropolitan district also provides for revenue sharing from specific ownership taxes as well as opportunities to apply for various government grant and subsidy programs and to receive funds for municipal facilities that are not available to private entities.

Section B.5 **Compliance with County Master Plan.**

The overall plans for the organization of the District, the services to be provided and the area to be served have been developed to comply with the goals of Pitkin County's Master Plan. The operation of this plan will be compliant with local fire safety practices, local, state and federal water quality laws and regulations, and environmental protections.

Section B.6 **Compliance with State Long-Range Water Quality Management Plan**

This Service Plan and the proposed services to be provided will comply with the current Area Wide Water Quality Management Plan (208 Plan) adopted by the Northwest Regional Council of Governments, which plan includes Pitkin County. Potable water, sanitary sewer, wastewater collection and water treatment services to be provided by the District will comply with all local, state and federal laws and regulations.

C. LOCATION AND CONFIGURATION OF DISTRICT.

The proposed District boundaries and the overall service area are not fully contiguous since lands owned by the Pitkin County (and occupied by the Aspen Fire Protection District) and others now being served by the water system may not initially be included in the District. However since they are immediately adjacent to the District and presently have contracts to receive services from Aspen

Village, the District will continue to provide these services to all existing customers and may upon request of any customer, include their property within the corporate boundaries of the District.

A vicinity map is included as Exhibit “A” and the corporate and service area boundaries of the Aspen Village Metropolitan District are described in writing and depicted on mapping attached as Exhibit “B”. A schedule of parcel numbers of properties to be included in the District has been included as Exhibit “C” and copies of the existing service contracts are included as Exhibit “D”.

The “District Service Area” (the area legally permitted to be served by the District) will consist of the entire 159 lot Aspen Village Subdivision (AVS), the AVS wastewater treatment site; the AVS water storage tank site; the commercial parcel (Phillips Quick Mart) at the entrance to Aspen Village; Lot 1, Lot 2, Lot 3, Parcels A, B and G of the Aspen Village River Homes Planned Unit Development, the Aspen Fire Protection District’s Aspen Village Fire Station and Wildcat Ranch Lots A and B which have been approved for a ranch manager’s residence and an agricultural outbuilding and both of which are directly adjacent to Aspen Village, which has previously agreed to provide these lots with water and sewer service.

The District will have power to impose taxes and other fees or charges allowed by law within its legal boundaries and service area and will provide the municipal services described in this plan throughout its service area in accordance with all resolutions, rules and regulations of the District. Services provided outside of the District’s corporate boundaries, but within the District’s service area, will be provided on a contract basis only.

D. LONG-TERM DISTRICT PLAN.

The District may elect to issue long term debt for the purpose of acquiring or designing and constructing improvements or replacements to the water, waste water and roadway infrastructure deemed necessary within the District's boundaries or as extended into its service area. Upon authorization by district voters, the District's elected Board of Directors will make final decisions regarding the issuance of debt, timing and amounts.

The District will collect ad valorem taxes, fees and charges to fairly assess property owners for their pro rata share of capital, operating and maintenance costs for facility construction and operation, and provision of district services.
In the future, the electorate of the District will have the opportunity to consider whether the consolidation of services with Pitkin County or other service agency is practical, feasible and desirable, and if such decision is affirmative, the dissolution of the District in accordance with state law could be effected. Further, since 100% of the District will lie within Pitkin County , the County may determine in the future that it is in the best interest of the County to dissolve the District and all services provided by the District would be provided by the County.

E. GENERAL FINANCIAL PLAN

A four year (and a twenty year) schedule of appreciating property assessments has been developed and compared to proposed annual costs of operation and maintenance. The results of these comparative analyses indicate an ability to meet all District expenditures as described in more detail below.

The District will have the power to assess *ad valorem* taxes, to receive specific ownership taxes, to levy rates, fees and charges and to issue general obligation bonds with the authorization of the constituents and revenue bonds by board approval. The District's Board of Directors will from time to time, determine what expenditures should be made by the District and what options for debt issuance and other revenues should be exercised.

It is anticipated that separate mill levies will be established by the District, to fund annual operations and maintenance and to repay any indebtedness incurred by the District for future reconstruction of the streets and water and waste water systems, recreational facilities, et cetera. Consequently, with an initial 2004 operating budget estimated to be $208,220, the Aspen Village Subdivision will see an increase in their total mill levy of 94.707 mills. This will fund all existing services, operations, maintenance and administration, most of which are now paid by homeowners through monthly assessments to the Aspen Village Homeowners Association.

Therefore, the source of funding for operations, maintenance and administration is changed from after-tax dollars to pre-tax dollars and some residents will recognize a reduction in annual costs while others will see an increase. Any future mill levy increase for capital improvements will require approval by district voters.

The property values within the proposed district boundaries range from $17,200 for a mobile home on rental property to $330,600 for a permanent residential unit. Total estimated fair market value for all properties within Aspen Village is presently $25,276,400 and total assessed value is $2,312,740. The Financial Plan has been constructed using these values as a basis and escalating fair market values by 3% annually while assessment factors are reduced from 7.96% to 7.3% over the initial ten year period.

A comprehensive twenty year Cash Flow Forecast including estimated future capital requirements, operations and maintenance requirements has been included within Exhibit “E”. This forecast includes the receipt of revenues for fees and charges associated with the water and sewer system as well as ad valorem taxes to cover typical municipal services provided by the District.

The financial analyses completed as a part of this service plan demonstrate the District’s ability to operate and maintain the District’s facilities and infrastructure in a fiscally responsible manner and to continue to place funds in reserve for future needed capital improvements. Should the District generate funds in excess of those needed for operations, maintenance, capital improvements or reserves, the Board may choose to lower the mill levy in future years.

The District will be entitled to a share of specific ownership taxes collected by the County Treasurer’s Office and other fees, rates and/or service charges assessed within the District. These additional revenues can be used by the Districts to offset tax collection fees charged by Pitkin County and other required expenditures.

Fees and charges may also be set to appropriately assess users for specific services purchased from or provided by the District. These fees and charges may also be used to limit the amount of ad valorem taxes needed to fund district expenditures and to compensate for the provision of services to non-district entities.

A table of projected growth in annual assessed values for Aspen Village properties is included below. This table includes only the 159 lots within Aspen Village.

Aspen Village - Assessed Values

Year	Fair Market Value	Assessed Value
2002	$25,276,400	$2,312,740
2003	26,034,692	2,072,361
2004	26,815,732	2,134,532
2005	27,620,205	2,198,568
2006	28,448,811	2,190,558
2007	29,302,275	2,256,275
2008	30,181,344	2,293,782
2009	32,086,784	2,438,592
2010	32,019,388	2,401,454
2011	33,979,969	2,548,598
2012	33,969,368	2,479,764
2013	34,998,449	2,554,887

Section E.1 **Assessed Valuation and Population**

Assessed Valuation

The assessed valuation of the District is derived from the actual property value established by the County Assessor's Office. The improved residential properties at Aspen Village were assessed at 9.15% of their fair market value in 2002. This rate is down from 15% in 1990 and continues to drop in response to the provisions of the Gallagher Amendment, which states that tax revenues from residential properties shall not exceed 49% of all property tax receipts. The remaining 51% comes from vacant land, commercial properties and other properties. Based on the past 10 year trend, it is anticipated that assessment rates on residential properties will continue to decline over the next decade to approximately 7.30% in 2013. This continued decline assumes that proposed changes to the Gallagher Act will not occur during this period.

The combined assessed valuations of the existing 159 lots and homes is projected to increase from $2,312,740 as of January 1, 2003, to approximately $2,554,887 as of January 2013. Property tax revenues are anticipated to increase in a direct linear relationship to increases in assessed value but with full recognition of the requirements and limits of the TABOR Amendment and Colorado budget and property tax laws.

Existing Mill Levies

As mentioned previously, there are a number of special districts and/or local governments providing limited services to the proposed District. The existing mill levies of each of these taxing entities is described within the following table:

Table of Existing Mill Levies
Aspen Village Metropolitan District Area

Taxing Entity	Present Mill Levy
Pitkin County	4.053
Pitkin Library	1.400
Pitkin Human Services	0.463
Open Space & Trails	3.773
Aspen School District	8.926
Aspen Fire Protection District	0.880

Colorado Mountain College	3.997
Colorado River Water Conservation	0.255
Aspen Valley Hospital District	1.500
Aspen Valley Ambulance District	0.278
Total Existing Mill Levies	**25.525**

As a result of the existing taxing entities, the total mill levy requirement after the establishment of the District is estimated to be 120.232 mills within the Aspen Village Subdivision. The Financial Plan (Exhibit “E”) assumes that most operational costs are paid by ad valorem taxes and consequently, the mill levy could be reduced through the establishment of fees for water, sewer and recreation activities without creating jeopardy to the financial strength of the District. Logically, the establishment of any fee could not be accomplished without a positive vote of the District Board of Directors. In addition, the inclusion of additional properties into the district or the receipt of additional revenues from the extension of service to lands within the service area appear to increase the fiscal strength of the District.

A mill is one-tenth of one cent, or one dollar in tax for every $1,000 of assessed value. Since Colorado’s Gallagher Amendment prohibits residential property owners from paying more than 49% of all property taxes, residential property tax rates are lower than tax rates for either commercial property or vacant land. This tax rate has been in steady decline from 30% in 1983 until 1998 when it stabilized for the first two consecutive assessment periods at 9.74%. It was lowered in 2003 to 7.96% and it is projected to continue to decline as residential property values increase. The future reductions in property assessments described previously have been included in the long term financial forecasts for the District.

Therefore, the 2004 residential assessment rate is projected to be 7.96% of the actual value and the vacant land assessment rate is projected to remain at 29%. A $150,000 residential property within the proposed district would be taxed on an assessed value of $11,940 and would be subject to total annual property taxes for existing services in Aspen Village of $1,435.57 of which $1,130.80 would be generated by the District's mill levy. An estimate of taxes due from new assessments only is detailed below and is based on an annual assessment of 94.707 mills per $100,000 of market value.

Aspen Village Subdivision	$753.87

This rate is intended to replace the majority of the current association assessments of $1,440 per household per year. A small portion of those assessments may continue in order to provide funding for Aspen Village Homeowner Association business. Since property taxes are based on property value, some residents will see a reduction in annual costs and some will see an increase. A residential property with a present fair market value of $191,015 would pay the same amount in District taxes as it currently pays in assessments, however, as noted above the payment of taxes is deductible from income for federal tax purposes, so the real out-of-pocket costs to the homeowner is estimated to be approximately two-thirds of the amount actually paid to the District.

Population

Total population estimates within the District's initial boundaries at full build-out have been projected at 455 persons. These population projections include full time, part-time and seasonal residency and it is estimated that near full build-out of the projected population has already been reached.

Section E.2 **Property Tax Collections and Other Revenues**

Property Tax Collections

The Pitkin County Treasurer's Office is responsible for the collection of all *ad valorem* taxes levied within the County. All property listed and valued as of January 1 each year will be included in the next year's tax roll. All taxes required to be paid are due in full by June 15th and the County disburses 95% of the taxes collected in one month by the 10th day of the following month. Although taxes are received by the County on a continuous basis, the primary receipt dates are February 15, April 30 and June 15. Therefore, the bulk of tax receipts to the District will be received in March, May and July. Pitkin County currently retains 5% of all taxes collected on behalf of most special districts.

The Cash Flow Forecast indicates that the property tax assessments will commence in 2004 with initial *ad valorem* tax receipts of $208,220 being received in 2005. Actual property values are projected to increase at historic levels but as the actual values go up, the assessed values for some of the vacant property may actually decrease because residential property is assessed at a lower rate than vacant land (7.96% v. 29%). In addition, some properties may see an increase in property taxes as lots convert from mobile homes to fixed residential structures. The Village presently includes both permanent residential and mobile residential structures. Nevertheless, increases in assessed value for total residential property will create a positive cash flow in taxes generated and these increases are projected to offset the cost of infrastructure and the demand for services within the district.

Other Revenues

In addition to *ad valorem* taxes, the District will be entitled to a pro rata share of specific ownership taxes collected for vehicles registered within Pitkin County. The disbursements for these taxes are made on the same basis as for property taxes and are received by the District throughout the year. It is projected that the District's portion of specific ownership taxes received in 2005 will approximate $10,400. A complete schedule of all proposed tax receipts by the District is included in the initial four year budget and the Cash Flow Forecast.

The District will also be entitled to establish certain fees and charges for services provided and may elect to equitably distribute the actual costs of providing those services to the end user. The District's Board of Directors will determine which services will be subject to fees or charges and the level of fees and charges to be assessed from time to time. The District's Board will also determine the percentage of income to be derived from each type of revenue.

Finally, as a metropolitan district with recreational powers, the district will be eligible to participate in the statewide recreation trust fund generated by lottery sales.

Section E.3 **Proposed Capital Expenditures & Debt**

The District may issue debt in the future for the purpose of acquiring or designing, and constructing capital improvements deemed necessary for the provision of a potable water supply, community waste water facilities and infrastructure, solid waste disposal facilities, streets, roads, trails, sidewalks and recreation facilities for residents and landowners within the District and its service area.

The District anticipates providing maintenance on community water and sewer systems. residential roadways, storm drainage systems, solid waste systems recreational facilities, street lighting, traffic signals, signs, traffic medians and other public safety improvements.

The above list is meant to be indicative of the types of improvements to be included in the District and should not be considered to be either all inclusive, or a commitment to build. As is customary, the Board of Directors for the District will be responsible for determining the type and timing of all improvements and the authorization of any future District debt.

Section E.4 **Proposed Operations and Maintenance**

The District's initial mill levy will be assessed to operate and maintain a reliable community potable water system and a sanitary sewer system, a solid waste system, streets and safety systems and recreational facilities and to run the business of the District. The district may coincidentally or subsequently determine that it is in the best interest of its service area's property owners to extend services but it is presently intended that new service extensions will be the responsibility of the property requesting new service extensions.

Overall operations and maintenance services will initially be contracted to private local businesses to take advantage of existing expertise and to limit both operational and capital (equipment) cost requirements and to limit the creation of jobs and associated impacts. The District may also elect to enter into an Intergovernmental Agreement with another Special District for the provision of services related to the operations and maintenance of its water and sewer system, roads, safety, drainage, et cetera, since it is anticipated that certain efficiencies could be recognized through the maintenance of facilities and the provision of services in the same immediate area.

Annual operations and maintenance requirements include administrative services such as management and accounting, required special district audits, reporting, record keeping and compliance, legal counsel, engineering, and constituent services. The costs associated with the provision of the services has been included within the initial budget projections. Additionally, annual maintenance requirements are anticipated to include snow plowing, sanding and snow removal from roadways, landscape maintenance, mowing, irrigation, weed and dust control of common areas, maintenance of traffic medians, drainage ways, road and bridge repairs, sign replacement, traffic control, street sweeping, and required ancillary maintenance services.

An operational budget for the first four years of operation has been included in the Financial Plan and a twenty year Cash Flow Forecast has been included in Exhibit "E". All costs for operations and maintenance have been based on industry norms or where possible, on actual estimates from independent contractors and persons knowledgeable with typical metropolitan district operation and maintenance costs. Included within the O&M budget is a 3% allowance for emergency funding as required by the TABOR Amendment as well as a sinking fund for the eventual acquisition of maintenance oriented capital equipment. Initially, there are no accommodations for District employees although costs allocated for contract services may be converted to District service costs if such a conversion becomes warranted.

Section E.5 **Repayment**

As detailed in the attached Cash Flow Forecast, repayment of all authorized short term operational loans and long term debt shall be accomplished through either fee revenues or tax receipts. It is currently proposed that the District will receive initial operating funds from the Aspen Village Homeowners Association. No initial debt issuance is contemplated by the District and all future decisions on the issuance of debt will be made by the District's Board of Directors and electorate.

Section E.6 **Proposed Initial Budget**

The Proposed Initial Budget, as set forth in the Financial Plan, indicates that conveyances of infrastructure to the District will occur during the year 2005 and may continue into 2006. Homeowner Association funding and/or loans to the District for operations and maintenance of the District and its facilities will be required until the District has adequate revenues to cover these expenditures, which is anticipated to occur in 2005. For operating year 2004, the District will operate on funds received from the Homeowner's Association through the continuation of monthly assessments. These assessments will be conveyed to the District for use in effecting its operations and replacing the bulk of Homeowner Association operations. Property tax receipts, specific ownership taxes and other fees will be collected and expended by the District commencing in 2005.

The first year of operation will require expenditures totaling $208,220 for operations and maintenance. During the first several years of operation, the District does not expect to fund any District related capital infrastructure costs and there is currently no plan to issue debt until infrastructure and facilities require rehabilitation, replacement or improvement. As the District's facilities are replaced or improved, the overall expenditures for operations and maintenance may increase. Potential increases in O&M costs have been forecast and contained within the Cash Flow Forecast.

In the first stages of re-construction by the District, administrative expenses will include costs associated with inspecting and managing infrastructure construction, including legal, project administration and engineering. In addition, costs associated with District accounting, record keeping, audits and Pitkin County tax collection fees are also included.

A review of the Cash Flow Forecast indicates the costs of operation, maintenance will continue to be relatively stable and are affected primarily by inflationary increases. Required funding of a perpetual 3% emergency fund varies only as a result of the total budget figure and cost variances for the 5% Pitkin County Treasurer's collection fee are a result of changes in tax receipts. Notes to the pro forma budget are included in the Cash Flow Forecast and revenue limitations under both TABOR and the 5.5% revenue growth caps have been considered within the twenty year projections.

F. PRELIMINARY ENGINEERING PLAN

The Aspen Village Metropolitan District does not intend to construct any new community facilities until such time as current facilities warrant improvements or rehabilitation. The District will eventually rehabilitate the existing wells, water distribution system, waste water collection system, water and sewer treatment facilities, pumps and lifts, streets, recreational facilities and the community center. The District will also manage and administer the use of Aspen Village's water rights and plan for augmentation and the requirements contained therein.

The following provides a general overview of existing facilities that will need future replacement, rehabilitation or improvements:

1. Two seven inch potable water wells in the Roaring Fork River Alluvium, estimated depth of 80 feet each. Each well has a 10 hp electric motor and submersible pump capable of pumping 100 gpm. The wells pump directly to a 110,000 gallon storage tank.
2. A single 110,000 gallon above ground steel potable water storage tank and an abandoned 50,000 gallon above ground steel tank.
3. An unknown quantity of water distribution lines consisting of 1950's era six and eight inch transite pipe, an unknown quantity of similar sized cast iron pipe, 3" and larger galvanized iron pipe and unknown quantities and sizes of poly vinyl chloride pipe. This system also contains an unknown quantity of valves and fire hydrants. There are no PRVs or booster pumps and the system maintains a static pressure of 72 psi.4. Sewer collection system consisting of a single sewage lift station and an unknown quantity of 4" to 8" transite sewer pipe.
5. A waste water treatment system that consists of a three pond aerated lagoon system. The number 1and 2 ponds have a combined capacity of

800,000 gallons and a total depth between six and seven feet. The ponds are aerated by surface aerators. The third pond is a non-aerated 750,000 gallon settling and finishing pond which includes a concrete outlet to a 14" concrete pipe which discharges treated water to the Roaring Fork River.

6. Water treatment works consists of a single hypochlorite injector pump located in the well pump building.
7. All improvements and facilities required to bring potable water to the District's end users.
8. Approximately 5,177 lineal feet of existing roadways plus parking areas and cul-de-sacs.
9. Solid waste collection and transport.
10. A community building and 50,000 gallon swimming pool, a maintenance building and community storage lot and approximately two acres of open space.

Near term operating and maintenance costs for the water, waste water, drainage and road systems are not anticipated to change except for typical increases in goods and services provided by contractors and consultants.

Section F.7 **Compliance with County Standards and Specifications**

All proposed improvements to the Aspen Village roadways will be designed to Pitkin County Standards. All water system improvements will be constructed in strict accordance with American Water Works Association Standards and Specifications for public water treatment and distribution systems and will adhere to all state regulations regarding small community water systems

The waste water treatment system will adhere to all county and state water quality regulations and will continue to operate under a valid discharger permit. Testing and monitoring of treatment parameters will meet all local and state regulations.

It is presently anticipated that the District will adopt Rules and Regulations and Standards and Specifications for all construction of municipal and/or public facilities and structures to be constructed within the District and these Rules, Regulations, Standards and Specifications are anticipated to be at least as comprehensive as those of the AWWA and capable of providing water and sewer treatment that meets or exceeds county, state or federal standards.

G. DIRECTORS

The initial Board of Directors for the District will be made up of five District constituents. Three will be elected to four year terms, and two will be elected for two year terms which at their conclusion will convert to four year terms. By statute, staggered-term elections for District board members are held every two years during the month of May.

The initial Board of Directors for the District will determine and approve the initial by-laws, rules and regulations and standards and specifications of the District; enter into such intergovernmental agreements as are consistent with this Service Plan; establish primary district policies and will be responsible for the effective carrying out of all rules, regulations and policies. The District will thereafter operate according the laws of the State of Colorado as a political subdivision of the State and a quasi-municipal corporation.

H. RESOLUTION OF APPROVAL

The District agrees to incorporate the Pitkin County Commission's Resolution of Approval, including any conditions on such approval into the Service Plan presented to the appropriate District Court.

I. DISCLOSURE

The current petitioners and the District will take steps to insure the owners of any property for sale located within the District provide adequate written notice at the time of closing to initial purchasers of land and property in the District regarding the existence of any additional taxes, charges, or assessments which may be imposed in connection with the District. The District shall also record a statement against the property within the District, at such time as the property is legally included therein, which statement includes notice of the existence of the District, average expected tax levy, maximum expected tax levy, and maximum allowed tax levy.

J. INTERGOVERNMENTAL AGREEMENTS

The District may participate in joint financing agreements with other public or private entities in pursuit of the goals and intentions contained in this Service Plan. The District may also elect to enter into intergovernmental agreements for the provision of services offered by the District.

K. STATUTORY REQUIREMENTS

It is submitted that this Service Plan for the Aspen Village Metropolitan District meets the requirements of the Special District Control Act, the applicable requirements of the Colorado Constitution, and those of Pitkin County. It is further submitted that:

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

(b) The existing services in the area to be served by the District are inadequate to meet projected needs;

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

(d) The area within the District will have, the financial ability to discharge the proposed costs of operation on a reasonable basis;

(e) Adequate service is not, and will not be, available to the area through the County or other existing municipal or quasi-municipal corporations, including existing special Districts (other than the proposed District), within a reasonable time and on a comparable basis;

(f) The facility and service standards of the District will be compatible with the facility and service standards of the County or other municipality which may be an interested party under Section 32-1-204(1), Colorado Revised Statutes;

(g) This Service Plan is in substantial compliance with all the comprehensive master plans adopted by the County;

(h) This Service Plan is in compliance with any duly adopted and applicable long-range water quality management plan and drainage plan for the area; and

(i) This Service Plan will be in the best interests of the area served by the District.

This service plan meets all such requirements.

EXHIBIT “A”

VICINITY MAP

Exhibit "B"

Legal Description and

Maps Illustrating District

and Service Area Boundaries

Legal Description of Aspen Village Metropolitan District

Certification of Dedication and Ownership

Know all men by these presents that Aspen Village Homeowners' Association, Inc. A Colorado Non-Profit Corporation, being the owner of certain lands in Pitkin County, Colorado, described as follows:

Aspen Village Subdivision Parcel

A parcel of land situated in Sections 6 and 7, Township 9 South, Range 85 West of the 6 the Principal Meridian, Pitkin County, Colorado, described as follows:

Beginning a brass cap found in place for the Southeast corner of said Section 6: thence N 49E30'33"W 1467.01 feet: thence N 43E01'10"W 250.53 feet: thence S 80E15'34"W 144.68 feet to the true point of beginning: thence N 17E37'51"E 41.44 feet: thence N 56E06'32"E 55.90 feet: thence N 44E11'45"W 310.00 feet: thence N 46E14'02"W 348.33 feet: thence N 54E06'59"W 209.82 feet: thence S 40E17'31"W 233.70 feet: thence S 37E55'49"E 181.05 feet: thence S 58E01'34"E 372.04 feet: thence S 33E12'24"E 162.46 feet: thence S 10E54'52"E 19.85 feet: thence S 37E10'26"E 95.52 feet: thence S 57E47'54"E 28.14 feet: thence S 24E40'14"W 275.72 feet: thence S 31E54'02"W 23.12 feet: thence S 26E27'25"W 51.74 feet: thence S 14E30'45"W 21.59 feet: thence S 24E00'21"W 228.53 feet: thence S 25E39'03"W 199.76 feet: thence S 28E44'37"W 150.32 feet: thence S 26E02'03"W 375.61 feet: thence S 39E13'40"W 90.94 feet: thence S 24E49'58"W 302.63 feet: thence N 68E48'06"E 98.94 feet: thence N 85E41'00"E 71.40 feet: thence N 85E19'00"E 137.80 feet: thence N 72E45'00"E 422.70 feet: thence S 86E19'00"E 119.70 feet: thence N 85E49'00"E 268.80 feet: thence S 84E41'00"E 117.30 feet: thence S 83E23'00"E 245.80 feet: thence N 80E11'13"E 99.80 feet: thence N 05E29'58"W 352.38 feet: thence S 80E34'28"W 255.76 feet: thence N 15E05'07"W 219.63 feet: thence N 52E54'36"W 201.98 feet: thence N 46E24'40"E 200.91 feet: thence N 11E14'35"W 77.70 feet: thence N 47E04'28"E 158.50 feet: thence N 44E22'41"W 271.30 feet: thence N 46E03'55"W 26.86 feet: thence N 41E32'56"W 367.67 feet: thence 49.90 feet along a arc of a 93.94 feet radius curve to the right having a central angle of 30E26'00" and subtended by a chord bearing N 65E02'34"E 49.31 feet: thence N 80E15'34"E 26.35 feet to the point of beginning.

Conservation Parcel

A parcel of land situated in sections 6 and 7, township 9 South, range 85 West of the 6 the principal meridian, Pitkin County, Colorado, described as follows:

Beginning at a brass cap found in place for the Southeast corner of said section 6: thence N 65E53'50"W 300.00 feet: thence N 65E05'32"W 297.69 feet: thence N 65E38'48"W 299.66 feet: thence N 45E29'52"W 297.06 feet: thence N

44E22'41"W 26.04 feet: thence S 47E04'28"W 158.50 feet: thence S 11E14'35"E 77.70 feet: thence S 46E24'40"W 200.91 feet: thence S 52E54'36"E 201.98 feet: thence S 15E05'07"E 219.63 feet: thence N 80E34'28"E 255.76 feet: thence N 05E29'38"E 352.38 feet: thence N 80E14'00"E 97.90 feet: thence N 83E39'00"E 134.50 feet: thence N 78E28'00"E 216.40 feet: thence N 83E10'00"E 130.90 feet: thence N 75E46'00"E 155.60 feet: thence N 75E59'00"E 78.40 feet: thence N 24E20'00"E 196.33 feet: thence N 65E53'50"W 99.62 feet to the point of beginning.

Containing 44 acres more or less: have by these presents laid out, platted the same as shown on this plat under the name and style of the second amendment to Aspen Village Subdivision.

Description of Additional Service Area

A. Includes that portion of the Wildcat Ranch parcel containing the existing approved Ranch Manager/employee Unit Development Envelope (Lot A) and the Agricultural Outbuilding Parcel Development Envelope (Lot B) recorded in Book 41 at Page 39, as shown on the attached Aspen Survey Engineers drawing.

B. The Commercial Parcel presently served by the Aspen Village Water and Sewer Systems, as shown on the attached Aspen Survey Engineers drawing.

C. The Pitkin County Parcel lying immediately adjacent to Aspen Village and the Commercial Parcel, as shown on the attached Aspen Survey Engineers drawing.

D. The subdivision water tank easement, described as a parcel of land situated in Section 7, Township 9 south, Range 85 West of the Sixth Principle Meridian, Pitkin County Colorado described as follows:

Beginning at a point whence the brass cap found in place for the northeast corner of said section 7 bears N 78E 25' 43" east 3148 feet; thence S 45E25'54" W145.58 feet; thence N 30E 19' 34" W 171.07 feet; thence N 57E 34' 56" E 146.63 feet; thence S 28E 43' 52" 140.69 feet to the point of beginning.

E. Sewer Line Easement being a 25 feet wide strip of land situated in Section 6, Township 9 South, Range 85 West of the Sixth Principle Meridian Pitkin County Colorado lying 12.5 feet on each side of the center line described as follows:

Beginning at a point whence the brass cap found in place for the southeast corner of said section 6 bears S 55E 53' 10" east 2038.41 feet; thence N

51E 52' 39" W 58.78 feet; thence N 24E 10' 16" W 85.57 feet to the point of termination.

F. Sewer Line Easement “A”. A fifteen feet wide strip of land situated in Section 6, Township 9 South, Range 85 West of the Sixth Principle Meridian Pitkin County Colorado lying 7.5 feet on each side of the center line as follows:

Beginning at a point whence the brass cap found in place for the Southeast corner of said Section 6 bears S 52E 48' 32" E 2698.3 feet; thence N 53E 48' 29" W 592.29 feet to the point of termination

E. Includes that portion of the Aspen River Village Homes between the Roaring Fork River and State Highway 82, and more specifically described as Lot 1 (4.369), Lot 2 (4.982 acres), Lot 3 (2.469 acres), Parcel A (5.049 acres), B (18.540 acres), and Parcel G (1.423 acres).

Exhibit "C"

SCHEDULE OF PROPERTIES TO BE INCLUDED IN DISTRICT

Exhibit "D"

Existing Service Contracts

EXHIBIT "E"

Cash Flow Forecast and Pro Forma Budget