

III. BOUNDARIES, POPULATION & VALUATION

The service area of the District consists of approximately 750 acres located in all of Section 16, and parts of Sections 9, 17, 20 and 21, Township 13 South, Range 70 West of the Sixth Principal Meridian, in unincorporated Teller County. It is generally bounded by the west section line of Section 16, the south section line of Section 16, portions of Section 9 to the north, and the east section line of Section 16. The proposed District boundaries are based upon the Decreed Service area contained in the Decree issued in Water Court Case No. 94CW281, attached hereto as Exhibit F.

The legal description of the District is attached as Exhibit A, a map identifying the general vicinity of the District is attached as Exhibit B, and a detailed boundary map of the District is attached as Exhibit C.

The majority of the District consists of rural residential lots contained in the Arabian Acres Subdivision, Trout Haven Estates Filings No. 1, 3, 4, part of Filing No. 2, and a few large acre residential lots adjacent to the Arabian Acres Subdivision. The Arabian Acres Subdivision is at approximately forty percent of full build-out. Trout Haven Estates Filing Nos. 1, 3, 4, and part of Filing No. 2 are at approximately fifty-one percent of full build-out. The District anticipates serving a total population of 750 residents, or 300 properties at full build-out.

The District also contains two commercial properties, the Trout Haven Resort and Camp Iana. The Trout Haven Resort is a private fishing club. The Trout Haven "Lost Dutchman Pavilion" is an events center, catering primarily to functions such as weddings, business events and community groups. Camp Iana is a church camp, consisting of approximately twenty-two acres for the main complex. It is affiliated with numerous churches in the immediate area.

Numerous retreats, workshops and youth programs are offered throughout the year.

The valuation for assessment of the District for 2002 is \$ 1,279,536. The valuation for assessment for the District at full build-out is expected to be \$ 5,403,378 in 2023. For purposes of the Financing Plan, the valuation for assessment is presumed to be \$ 1,317,922 by the end of 2003. This valuation estimate reflects no adjustment for inflation or other market value increases.

IV. DESCRIPTION OF PROPOSED FACILITIES

A. Improvements.

The District will acquire, operate, maintain and expand, as necessary, the water system and provide for mosquito control within its boundaries. The improvements and assets to be acquired by the District consist of seven wells, two treatment facilities, one storage tank, mains, easements, real property holdings, two reservoirs, water rights and easements. The appraised value of the water system is approximately \$1,100,000. A recent appraisal is attached as Exhibit D.

Maps depicting the location of the water system improvements are attached as Exhibit E. The District will be authorized to acquire, construct or replace any improvements necessary to provide water service, subject to County regulations.

B. Existing Conditions.

The original water system built to service the Arabian Acres Subdivision. Trout Haven Estates Filing Nos. 1, 3, 4, part of Filing No. 2, a few large acre lots adjacent to the Arabian Acres Subdivision, and commercial taps to the Trout Haven Resort and Camp Iana have been added to the system. The system relies on well rights for its water supply and currently serves approximately 125 customers.

Arabian Acres Subdivision (the "Subdivision") was platted in the 1960s and contains 229 lots. When platted, it was assumed that each lot would contain one single family home. The Water Court Decree in Case No. 94CW281, attached as Exhibit F (the "Decree"), reflects that assumption. There is a growing trend within the Subdivision, however, to construct single-family homes on multiple lot sites. Current estimates project the Subdivision to contain approximately 190 single-family homes at full build-out.

Trout Haven Estates was platted in the early 1960s as well. These filings contained 169 original lots. As with Arabian Acres, it was assumed that the lots in Trout Haven would also contain one single family home per lot, however the trend is to construct single-family homes on multiple lot sites. Current estimates project that Trout Haven Estates will contain approximately 141 single-family homes at full build out.

There are several adjacent tract properties that are not platted within either subdivision. These properties are "pre-Senate Bill 35" and are quite problematic for inclusion in any platted subdivision. The District boundaries are based upon AAWC's decreed service area.

All water usage is metered. The Decree anticipated a per capita water usage of 65 gallons per day. Meter readings compiled by the Company show that actual water consumption is closer to

contain one single-family home per lot, however the trend is to construct single-family homes on multiple lot sites. Current estimates project that Trout Haven Estates will contain approximately 141 single-family homes at full build out.

There are several adjacent tract properties that are not platted within either subdivision. These properties are "pre-Senate Bill 35" and are quite problematic for inclusion in any platted subdivision. The District boundaries are based upon AAWC's decreed service area.

All water usage is metered. The Decree anticipated a per capita water usage of 65 gallons per day. A study of water usage between June, 1999 and June, 2001 shows that actual water consumption is 123 gallons per home per day. The Findings of Fact, Conclusions of Law, Judgement and Decree in Water Court Case No. 94CW281 approved an augmentation plan (the "Augmentation Plan") based upon depletions associated with the measured water to customers. See, Exhibit F. The Water System Evaluation and Master Plan for Arabian Acres Water Company dated July, 2002 prepared by JDS-Hydro Consultants, Inc. concludes that the water resources of the Company are sufficient to serve 445 units, well in excess of the 340 units anticipated at final build out of the subdivisions. See, Exhibit M. Therefore, additional customers may be served by the District without exceeding the allowed maximum water usage set forth in the Decree.

The water system is supplied by well water taken from several locations. The water rights supporting the wells are described in detail in the Decree. The rights allow for a total of 6.906 acre-feet of annual consumptive use and development of a total of seventeen wells.

The system currently contains seven active wells. An eighth well has been drilled and the piping has been completed. It is now being analyzed for water quality and quantity. These rights are supported by 220 shares of the Mountain Mutual Reservoir Company. These rights do not

needed. Improvements to the system will be designed and constructed to meet fire flow requirements. The owners of AAWC have no power or jurisdiction over the Board of Directors who will be elected by the District's constituents and cannot dictate or enforce a projected capital improvements plan for implementation by the Board. One of the purposes of organizing a metropolitan district is to provide a mechanism for long range planning and financing.

D. Teller County Construction Standards.

All District improvements will be designed and constructed in accordance with the standards, specifications and requirements of Teller County. The District will obtain approval of civil engineering plans and permits for construction and installation of improvements from the County.

E. Dedication of Improvements.

The District does not intend to dedicate any public improvements to the County or any other public entity.

F. Ownership and Operation of Facilities by the District.

Upon conveyance of the water system, the District shall own, design, construct, operate, maintain and replace all water system improvements, or as otherwise agreed with or required by the County. As a condition of organization, within the first year of operation, the District Board will develop a long term capital improvements plan ("CIP") which will include the construction of a second storage tank on Lot 34 in Arabian Acres and will include the completion of the water main running through Kutsu Ridge Road to Pawutsy Road in Trout Have Estates, which will complete the loop to the storage tank and improve fire flows. A proposed CIP for review and approval by the Board of Directors is attached as Exhibit M.

E. Operations.

The estimated cost of operating the District for 2003, its initial year of operation, is expected to be approximately Twenty-Five Thousand Dollars (\$25,000) for legal, administrative and financial services, and is expected to be approximately Fifty Thousand Dollars (\$50,000) for operating expenses. Legal and financial service expenses will decline sharply after the issuance of bonds and acquisition of the system and water rights.

F. Identification of District Revenue

The District will rely on tap fees, service charges and property taxes as sources of revenue. A schedule of the District's anticipated fees, rates and charges is attached as Exhibit I.

1. Tap Fees. Commercial and residential tap fees will be paid by all new customers prior to activation of service. Fees may be adjusted by the District's Board of Directors from time to time.
2. Service Charges. All service charges will be listed in the District's Rules and Regulations and may be adjusted by the District's Board of Directors from time to time.
3. Ad Valorem Property Tax Levy. The District will assess a mill levy for the repayment of debt through the bond repayment period. Service charges and tap fees will fund the costs of District administration, operations and maintenance. The District anticipates that the mill levy needed to support the debt is ^{five (5)}~~six (6)~~ mills over the life of the bonds. In no event will the District's debt service mill levy exceed twelve (12) mills.

VIII. LANDOWNERS PUBLIC IMPROVEMENTS

The creation of the District will not relieve the landowners or developers of the property, their successors or assigns, of any obligation to construct public improvements required by any agreement entered into with the County or other governmental entity.

IX. MODIFICATION OF SERVICE PLAN

The District will obtain approval from the County before making any material modifications to this Service Plan. Material modifications include:

- a. The addition of new types of services.
- b. Change in any service or facilities to be provided.
- c. A decrease in the financial ability of the district to discharge existing or proposed indebtedness.
- d. A decrease in existing or projected need for organized service in the area.
- e. Inclusion of any additional property into the district.
- f. Exclusion of any property from the district.
- g. Change in the maximum mill levy.
- h. Consolidation with any other district.
- i. Except for assumed changes in conversion from constant dollars to current dollars, material changes in cost estimates provided.
- j. Change in the dissolution date.
- k. Change in the revenue source(s) for bonded indebtedness.
- l. Failure to provide annual reports or other information to Teller County as may be required by CRS.

- m. Reduction in any bond ratings or the failure of any credit enhancement technique.
- n. Issuance of debt in any amount or type or at any time not authorized by the approved service plan.
- o. Default in any of the terms and/or conditions of any Facilities Funding, Construction and Operations Agreement (FFCOA), if any, or any proposed or actual termination thereof, or any material alteration thereof.
- p. Other such changes that may constitute a change in the basic or essential nature of the original service plan, including a substantial increase or decrease in the District's service area.

County approval is not required for modifications to this Service Plan necessary for the execution of financing, purchase, or construction of public improvements already outlined in this Service Plan.

X. DISTRICT CONSOLIDATION OR DISSOLUTION

In order to foster efficiencies and reduce the number of special districts within Teller County, at such time as the purchase of the system is complete and all debt contemplated in this Service Plan has been issued; the District may consider consolidation with one or more special districts for the continued provision of water service and/or other services. The District is not contemplating dissolution because the District is being formed for the purpose of providing an ongoing service.

XI. DISCLOSURE

The District will take steps to ensure that the developers of property located within the District provide written notice at the time of closing to purchasers of land regarding the existence of

taxes, charges, or assessments which may be imposed in connection with the District. The District will also record the Order of the District Court organizing the District in the real property records of the Clerk and Recorder of Teller County, Colorado, so that all future property owners within the District will have notice regarding the existence of the District.

XII. INTERGOVERNMENTAL AGREEMENTS

None are anticipated at this time.

XIII. RESOLUTION OF APPROVAL

The District incorporates the Teller County Board of County Commissioners' Resolution approving this Service Plan, including any conditions of approval, into this Service Plan as Exhibit J.

XIV. STATUTORY REQUIREMENTS

This Service Plan for the Arabian Acres Metropolitan District meets the requirements of the Special District Control Act (§ 32-1-201, et seq., C.R.S.) and the requirements of the Colorado Constitution. It is further submitted that pursuant to § 32-1-203(2) and (2.5), C.R.S.:

1. There is sufficient existing and Projected need for organized service in the area to be serviced by the District. The formation of the District is necessary to decrease the number of individual wells drilled in the area due to the use of individual septic systems on the same properties and water quality issues identified by the County; the need for long range planning and financing of an infrastructure system capable

of meeting fire flow rates as identified by the County; and area residents and property owners desire to own and control the water system and water rights servicing their properties, as well as providing means for making future improvements desired or needed by the community.

2. The existing service in the area to be served by the District is inadequate for present and projected needs. The Rupp Family Partnership is divesting AAWC and has no interest or financial wherewithal to make long-term improvements to the water system.
3. The District is capable of providing economical and sufficient service to the proposed development within its boundaries as shown on the attached Financial Plan.
4. The area to be included within the District does have and will have the financial ability to discharge the proposed indebtedness on a reasonable basis as shown on the Financial Plan.
5. Adequate service is not, or will not be, available to the area through County or other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a comparable basis.
6. The facility and service standards of the proposed special district are compatible with the facility and service standards of Teller County. The District will be taking over existing facilities and services, built to County specifications at the time of construction. Additional improvements will be built to County specifications.

7. The proposal is in substantial compliance with any Teller County Master Plan adopted pursuant to § 30-28-106, C.R.S., as stated above.
8. The proposal is in compliance with any duly adopted county, regional, or state long-range water quality management plan for the area, as stated above.
9. The creation of the proposed special district will be in the best interests of the area proposed to be served because a metropolitan district will provide service in perpetuity by an elected board consisting of District residents and property owners. The financing mechanisms available to a special district allow for long range planning and low cost financing of system improvements. In addition, the metropolitan district will provide for the implementation of expanded facilities and services desired or requested by the District constituents that the County is unable or unwilling to provide.

XVI. CONCLUSION

Therefore, it is requested that the Teller County Board of County Commissioners adopt a resolution to be included herein as Exhibit J approving this Service Plan for the Arabian Acres Metropolitan District.

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250 feet deep with a capacity of 24 GPM. Both wells are protected with "motor minders" which act as an emergency shutdown in case of excessive drawdown. "Well Valley" is the area from which additional wells will be drilled to accommodate growing demands as the area "builds out."

Two additional wells, #6 and #7 were added in 1999.

The current wells are sufficient to meet the needs of the existing 115-118 customers, which includes a 3" tap for Trout Haven.

Table 1
Arabian Acres Well Summary

Well	Date	Depth/Perforation (Feet/Feet)	Casing (Dia.-In.)	Equipment	Yield (GPM) Actual/Permitted
#1		120/80-120	4" PVC	0.75 HP	4/20
#2		300/260-300	4" PVC	0.75 HP	8/20
#3		25/6-25	7 ft. MH Gallery		7/30 (Alluvial)
#4		200/No Casing	8" No Casing		2/20
#5		20/6-20	7 ft. MH Gallery		8/20 (Alluvial)
#6		300/250-290	4" PVC	0.75 HP	7/15
#7		400/290-310 &350-370	4" PVC	0.75 HP	7/15

2.3. Treatment and Storage

There are two similar central locations for water treatment. Treatment Building A provides treatment for wells #1, #2, #6, and #7. Treatment Building A is located at Well #1 on Lot 11 Block 8. Treatment includes pH control using soda ash and chlorination using liquid hypochlorite solution. The treatment unit consists of housing, soda mixing, metering and variable feed of both chemicals. The treatment units, and housing were constructed in 1994 and are well maintained.

Treatment Building B provides treatment for wells #3, #4, and #5. Treatment Building B is located at Well #3. Treatment includes pH control using soda ash and chlorination using liquid hypochlorite solution. The treatment unit consists of bag filtration, housing, soda mixing, metering and variable feed of both chemicals. The treatment units, and housing were constructed in 1999 and are well maintained.

Storage consists of a steel ground storage tank on Lot 34 Block 1 of Arabian Acres 2nd Filing. The tank has a capacity of 38,200 gallons and has an overflow at 18 feet. Tank level is controlled using an ultrasonic device at the tank with telemetry to the Newport controller, which starts and stops wells. The tank is in excellent shape and was installed in 1994. Tank capacity is sufficient for current domestic supply equalization storage. The tank is expected to be sufficient for equalization storage at full build out assuming well capacity keeps pace with maximum daily use. Fire storage is somewhat limited but it is more substantial than most systems of this size and isolated location.

2.4. Transmission and Distribution

The AAWC system consists of 2 inch through 6-inch water lines. Many of the pipelines were installed between 1972 and 1979 with substantial upgrades being completed between 1990 and 1996. Further system upgrades occurred in 1999 and 2000. There are gate valves, air relief and

FEE'S, RATES, AND CHARGES SCHEDULE

April 1, 2002

TAP FEE:	\$6000.00
MONTHLY SERVICE RATES: Monthly minimum.....	25.00
Monthly Charge Per 100 Gal.	50
TURN ON/OFF CHARGES : Excluding Initial Turn On	35.00
LATE FEE:.....	10.00
FINANCE CHARGES: Interest - 18% Per Annum On Bal.	
SERVICE DEPOSIT: Transferable.....	50.00
SPECIAL METER READING CHARGE:	35.00
RE: INSPECTION FEE: Each	15.00

Table 3
Depreciated Value of System Components

Item	Year Installed	Effective Year	Quantity	Unit Cost	Replacement Value	Useful Life	Years of Depreciation	Depreciation	Depreciated Value
Source of Supply									
Well #1/Well & Casing	1995	1995	1	\$11,050.00	\$11,050	50	6	\$1,326	\$9,724
Well #1/Equipment	1995	1995	1	\$3,500.00	\$3,500	25	6	\$840	\$2,660
Well #2/Well & Casing	1997	1997	1	\$21,250.00	\$21,250	50	4	\$1,700	\$19,550
Well #2/Equipment	1997	1997	1	\$7,800.00	\$7,800	25	4	\$1,248	\$6,552
Well #3 Well and Casing	1985	1985	1	\$2,150.00	\$2,150	30	16	\$1,147	\$1,003
Well #3 Equipment	1985	1985	1	\$2,500.00	\$2,500	25	16	\$1,600	\$900
Well #4/Well & Casing	1999	1999	1	\$5,050.00	\$5,050	50	2	\$202	\$4,848
Well #4/Equipment	1999	1999	1	\$3,500.00	\$3,500	25	2	\$280	\$3,220
Well #5 Well and Casing	UNK	1976	1	\$2,150.00	\$2,150	30	25	\$1,792	\$358
Well #5 Equipment	UNK	1976	1	\$2,500.00	\$2,500	25	25	\$2,500	\$0
Collection Pipeline	1999	1999	560	\$12.50	\$7,000	50	2	\$280	\$6,720
Well #6 Well and Casing	2000	2000	1	\$18,000.00	\$18,000	50	1	\$360	\$17,640
Well #6 Equipment	2000	2000	1	\$9,500.00	\$9,500	25	1	\$380	\$9,120
Well #7 Well and Casing	2000	2000	1	\$24,000.00	\$24,000	50	1	\$480	\$23,520
Well #7 Equipment	2000	2000	1	\$10,500.00	\$10,500	25	1	\$420	\$10,080
Treatment A									
Main Housing	1994	1994	1	\$15,000.00	\$15,000	40	7	\$2,625	\$12,375
Extra Housing	1972/ 1979	1976	1	\$1,000.00	\$1,000	30	25	\$833	\$167
Equipment	1994	1994	1	\$23,500.00	\$23,500	25	7	\$6,580	\$16,920
Treatment B									
Re-Hab Housing	1999	1999	1	\$2,000.00	\$2,000	40	2	\$100	\$1,900
Equipment	1999	1999	1	\$27,500.00	\$27,500	25	2	\$2,200	\$25,300
Storage									
Tank	1994	1994	1	\$53,000.00	\$53,000	50	7	\$7,420	\$45,580
Equipment	1994	1994	1	\$9,700.00	\$9,700	20	7	\$3,395	\$6,305
Services									
3" Meter	1994	1994	1	\$2,000.00	\$2,000	20	7	\$700	\$1,300
3" Other	1994	1994	1	\$1,800.00	\$1,800	40	7	\$315	\$1,485
									\$0

Table 3 (Continued)
Depreciated Value of System Components

Instrumentation and Control	Master Control at Building A	1994	1994	1	\$5,000.00	\$5,000	15	7	\$2,333	\$2,667
	Master Control at Building B	1999	1999	1	\$5,000.00	\$5,000	15	2	\$667	\$4,333
Inventory	Control Wire	1994-1999	1996	1	\$10,000.00	\$10,000	15	5	\$3,333	\$6,667
	Pipe Shed (8 X 20)	1999	1999	1	\$4,800.00	\$4,800	30	2	\$320	\$4,480
	Pipe Shed (8 X 8)	1999	1999	1	\$2,000.00	\$2,000	30		\$133	\$1,867
	3/4" PVC Pipe	2001	2001	2000	\$0.50	\$1,000			\$0	\$1,000
	1" PVC Pipe	2001	2001	220	\$0.65	\$143			\$0	\$143
	2" PVC Pipe SDR 21	2001	2001	160	\$1.35	\$216			\$0	\$216
	2" PVC Pipe Sch 80	2001	2001	60	\$1.45	\$87			\$0	\$87
	3" PVC Pipe Sch 80	2001	2001	40	\$1.95	\$78			\$0	\$78
	4" PVC Pipe SDR 21	2001	2001	200	\$2.45	\$490			\$0	\$490
	4" PVC Pipe C-900	2001	2001	180	\$2.65	\$477			\$0	\$477
	6" PVC Pipe C-900	2001	2001	100	\$4.00	\$400			\$0	\$400
	Curb Stop Boxes	2001	2001	9	\$65.00	\$585			\$0	\$585
	Street Valve Boxes	2001	2001	2	\$75.00	\$150			\$0	\$150
	2" Gate Valve	2001	2001	2	\$150.00	\$300			\$0	\$300
	4" Gate Valve	2001	2001	1	\$250.00	\$250			\$0	\$250
	6" Gate Valve	2001	2001	2	\$450.00	\$900			\$0	\$900
	Cable	2001	2001	500	\$0.25	\$125			\$0	\$125
	PVC Fittings	2001	2001	1	\$400.00	\$400			\$0	\$400
	Mechanical Joint Fittings	2001	2001	1	\$600.00	\$600			\$0	\$600
	Misc Meters, House Filters, etc	2001	2001	1	\$400.00	\$400			\$0	\$400
Miscellaneous and Tools	Magnetic Locator	2001	2001	1	\$2,400.00	\$2,400	10	0	\$0	\$2,400
	Misc Cones, Bar, Valve Keys, Etc	N/A	N/A	1	\$500.00	\$500		0	\$0	\$500
	Engineering/Mapping	N/A	N/A	1	\$26,000.00	\$26,000		0	\$0	\$26,000
TOTAL REPLACEMENT VALUE OF FACILITIES					\$328,251	TOTAL DEPRECIATED VALUE OF FACILITIES			\$282,742	

AAPOA = \$ 22.1M

1. misc power

page 7

page 16 - valuation of 1,100,000
page 11 = 125 customers

6. 906 acre ft, 17 wells

capable to service 340 single family

page 17 - bottom

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bonds - 1,325,000 Bond.

Page 20 copy

→ Max Mill levy, 12 mill

Page 21 Security for Debt
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→ Page 26

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~~Question about the map on exhibit~~