

2018 OPERATING PLAN AND BUDGET

**USAFA VISITOR'S
CENTER BUSINESS
IMPROVEMENT
DISTRICT**

City of Colorado Springs, El Paso County, Colorado

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2018
OPERATING PLAN FOR THE
USAFA VISITOR'S CENTER BUSINESS IMPROVEMENT DISTRICT

1. PURPOSE AND SCOPE OF THIS DISTRICT

A. Requirement for this Operating Plan. The Business Improvement District Act, specifically Section 31-25-1211, C.R.S., requires that the USAFA Visitor's Center Business Improvement District (the "District") file an operating plan and budget with the City Clerk no later than September 30 of each year.

Under the statute, the City is to approve the operating plan and budget within 30 days of the submittal of all required information.

The District operates under the authorities and powers allowed under the Business Improvement District Act, Section 31-25-1201, et seq., Colorado Revised Statutes, as amended, as further described and limited by this Operating Plan.

This 2018 Operating Plan is the District's initial Operating Plan following its organization by the City.

B. What Must Be Included in the Operating Plan? Pursuant to the provisions of the Business Improvement District Act, Section 31-25-1201, et seq., Colorado Revised Statutes, as amended, this Operating Plan specifically identifies (1) the composition of the Board of Directors, (2) the services and improvements to be provided by the District, (3) the taxes, fees, and assessments to be imposed by the District, (4) the estimated principal amount of the bonds to be issued by the District, and (5) such other information as the City may require.

C. Purposes. The District's primary purpose is to provide for the financing, acquisition, construction, completion, installation, replacement and/or operation and maintenance of the services and public improvements necessary to support the development of a 57 acre commercial mixed-use development located near the north entrance to the United States Air Force Academy (the "Project"). The Project is located on property owned by the United States Air Force Academy ("USAFA") that will be developed by Blue & Silver Development Partners, LLC (the "Developer"), through a long term lease arrangement with the USAFA as part of the USAFA's Enhanced Use Leasing Project.

The 57 acres underlying the Project (the "USAFA Property") is not currently located within the boundaries of the City. As further described in this Operating Plan, the District will initially be formed on a smaller parcel of land located within the City. The USAFA Property will be annexed into the City at a later date and will subsequently be included into the District boundaries.

The District shall be expressly prohibited from owning any property or improvements, providing any services, issuing any debt or other financial obligations, or imposing any ad

valorem property taxes, fees or assessments unless and until the USAFA Property is annexed into the City and included within the District boundaries.

Notwithstanding the foregoing limitation, the District may engage such consultants and take such actions as are necessary to conduct an organizational/TABOR election on November 6, 2018, to carry out the District's basic administration and operations, and to comply with all applicable statutory and City-imposed requirements for business improvement districts.

As further set forth in Section 9 of this Operating Plan, if the USAFA Property is not annexed into the City and included within the boundaries of the District on or before December 31, 2021, the District shall be dissolved.

D. Ownership of Property or Major Assets. The District may own property or major physical assets as part of the anticipated development.

E. Contracts and Agreements. The District does not currently have any significant contracts or agreements associated with any financial obligations. Following its organization, the District may engage accounting, legal and other consultants as necessary to carry out the District's basic administration.

2. ORGANIZATION AND COMPOSITION OF THE BOARD OF DIRECTORS

A. Organization. The District was organized by the City of Colorado Springs, Colorado in 2018.

B. Governance. The District is governed by an appointed board of directors comprised of five members.

C. Current Board. The persons who currently serve as the Board of Directors are:

1. John Fox
2. Don Hunt
3. Tom Markham
4. Dan Schnepf
5. Eric Smith

Director and other pertinent contact information is provided in Exhibit A.

D. Term Limits. The Board of Directors is appointed by City Council to serve at the pleasure of the City Council. There are no established terms, and term limits will be waived by the District's electors at the District's November 6, 2018, election.

E. Advisory Board. The Board of Directors may appoint one or more advisory boards to assist the Board of Directors on such matters as the Board of Directors desires assistance. The Board of Directors shall, upon the appointment of an advisory board, set forth its duties, duration, and membership. The Board of Directors may provide rules of procedure for

the advisory board or may delegate to the advisory board the authority to provide such rules. No advisory boards have yet been appointed.

3. BOUNDARIES, INCLUSIONS AND EXCLUSIONS

The District currently includes approximately 1.705 acres within its boundaries as described in Exhibit C and depicted in Exhibit D (the “Initial District Boundaries”). It is anticipated that the District will include the USAFA Property within its boundaries at a later date.

4. PUBLIC IMPROVEMENTS

The public improvements that the District may construct, install or cause to be constructed and installed include those public improvements the costs of which may, in accordance with the Business Improvement District Act, Section 31-25-1201, et seq., C.R.S., lawfully be paid for by the District, including, without limitation, the following types of improvements: water, safety protection, sanitation, dry utilities, streets, curbs, gutters, culverts, drainage facilities, sidewalks, parking facilities, paving, lighting, grading, parks, landscaping and storm and wastewater management facilities and associated land acquisition and remediation (the “Public Improvements”).

5. ADMINISTRATION, OPERATIONS, SERVICES AND MAINTENANCE

Subject to the express limitations of this Operating Plan, the District may engage such consultants and take such actions as are necessary to conduct an election on November 6, 2018, to carry out the District’s basic administration and operations, and to comply with all applicable statutory and City-imposed requirements for business improvement districts.

The District will not have any employees in 2018 and will contract with consultants as necessary to carry out the District’s basic administration and operations.

6. FINANCIAL PLAN AND BUDGET

A. 2018 Budget. The 2018 Budget for the District is attached as Exhibit B.

B. Authorized Indebtedness. This District is not authorized to issue any debt under this Operating Plan. The District will hold an election on November 6, 2018, regarding the District’s revenue and debt authority.

C. Property Tax and Mill Levy Caps. The District may impose ad valorem property taxes to fund the district’s debt service obligations and operations and maintenance expenses. The District may impose a debt service mill levy not to exceed 50 mills and an operations and maintenance mill levy not to exceed 10 mills. The District does not intend to impose either a debt service mill levy or an operations and maintenance levy in 2018.

Commencing in 2019, the District may impose an ad valorem property tax mill levy, and utilize public improvement fees, any other lawful revenue source and the revenues derived

therefrom in order to establish a sinking fund to pay for the demolition and restoration of the USAFA Property as required by the terms of the USAFA's Enhanced Use Lease ("ELU").

D. District Revenues. It is anticipated that the District will impose a debt service mill levy of 50 mills and an operations and maintenance mill levy of 10 mills to support the Project. In addition, it is anticipated that the Developer will facilitate the imposition of public improvement fees (PIFs) on all taxable sales and lodging within the Project, with all revenues associated with such PIFs being pledged to the District to fund the District's debt service, operation and maintenance obligations, and obligations to perform the obligations under the ELU that are assumed by the District ("ELU Obligations").

E. Existing Debt Obligations. The District does not have any existing debt obligations.

F. Future Debt Obligations. Subject to the constraints specified in this Operating Plan it is anticipated that the District will issue debt in 2019.

G. Other Financial Obligations. It is anticipated that the District's initial operations will be funded by the Developer, and such funding will be reimbursed to the Developer pursuant to one or more reimbursement agreements that may be entered into between the District and the Developer on an annual appropriations basis.

H. City Charter Limitations. In accordance with 7-100 of the City Charter, the District shall not issue any debt instrument for any purpose other than construction of capital improvements with a public purpose necessary for development. As set forth in 7-100 of the City Charter, the total debt of any proposed District shall not exceed 10 percent of the total assessed valuation of the taxable property within the District unless approved by at least a two-thirds vote of the entire City Council.

I. Non-Default Provisions. Limited tax general obligation bonds issued by the District shall be structured and/or credit enhancements provided such that the bonds cannot default as long as the District is imposing the required maximum allowed mill levy.

J. Privately Placed Debt. Prior to the issuance of any privately placed debt for capital related costs, the District shall obtain the certification of an External Financial Advisor regarding the fairness and feasibility of the interest rate and the structure of the debt.

K. No City Obligations. The debt of the District will not constitute a debt or obligation of the City in any manner. The faith and credit of the City will not be pledged for the repayment of the debt of the District. This will be clearly stated on all offering circulars, prospectuses, or disclosure statements associated with any securities issued by the District

7. MUNICIPAL OVERSIGHT OF DISTRICT ACTIVITIES

A. Audit. The District agrees to submit an annual audit to the City Finance Department no later than March 1st of each year which is performed by an independent certified

public accounting firm. Even if the state grants an audit exemption, the District must submit an annual audit as specified above.

B. SID Formation. The District affirms that it will provide an Amended Operating Plan and seek prior approval of City Council prior to formation of any Special Improvement District within its boundaries in the future.

C. City Authorization Prior to Debt Issuance. In accordance with the City's Special District Policy, and notwithstanding any statements of intent in the Budget and Operating Plan, this District shall request and obtain approval of City Council prior to issuance of any debt in accordance with the financing plan for the District as previously approved. The standards for City approval shall generally be consistent with the City's Special District Policy as it may be amended along with the most recently approved operating plan and budget and any requirements or limitations contained therein to the extent that they are consistent with the financing plans for the District.

D. Public Improvement Fees. The District may utilize revenues derived from public improvement fees (PIFs) on all taxable sales and lodging within the Project to fund the District's debt service, operation and maintenance obligations and ELU obligations.

E. Condemnation. The Colorado Revised Statutes do not authorize BIDs to use powers of eminent domain. The exercise of eminent domain authority by any City-authorized district is also specifically prohibited without express prior City Council approval.

8. 2018 ACTIVITIES, PROJECTS AND CHANGES

A. Activities. The District will conduct an organizational/TABOR election on November 6, 2018, and carry out only basic administration and operations activities as necessary to comply with all applicable statutory and City-imposed requirements for business improvement districts.

B. Projects and Public Improvements. The District will not finance or construct any public improvements in 2018.

C. Summary of 2018 Activities.

Boundary changes: It is anticipated that the District will include the USAFA Property into its boundaries.

Changes to board or governance structure: None.

Mill levy changes: None.

New, refinanced or fully discharged debt: It is anticipated that the District will issue debt in 2019.

Elections: The District will hold an election on November 6, 2018, on the District's revenue and debt authority and other organizational questions.

Major changes in development activity or valuation: Upon its annexation into the City the District will include the USAFA Property into its boundaries, and it is anticipated that development within the USAFA Property will commence in 2019.

Ability to meet current financial obligations: The District does not have any current financial obligations. It is anticipated that the District's initial operations will be funded by the Developer.

9. DISSOLUTION

The District may be dissolved under the conditions of Section 31-25-1225, C.R.S. Perpetual existence is not contemplated at this time. In the event the USAFA Property is not annexed into the City and included in the District boundaries on or before December 31, 2021, the District shall be dissolved, and such dissolution proceedings may be commenced unilaterally by City Council Resolution.

10. CONCLUSION

It is submitted that this Operating Plan and Budget for the District meets the requirements of the Business Improvement District Act and further meets applicable requirements of the Colorado Constitution and other law. It is further submitted that the types of services and improvements to be provided by the District are those services and improvements which satisfy the purposes of Part 12 of Article 25 of Title 31, C.R.S.

EXHIBIT A
Director and Other Contact Information

BOARD OF DIRECTORS:

1. John Fox
2. Don Hunt
105 Sunset Drive, P.O. Box 224
Frisco, CO 80443
303-378-2650
dhunt@anteronet.com
3. Tom Markham
tommarkham66@gmail.com
4. Dan Schnepf
2435 Research Parkway, Suite 300
Colorado Springs, CO 80920
719-238-4888
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5. Eric Smith
12 Kreg Lane
Manitou Springs, CO 80829
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eric_smith@matrixdesigngroup.com

LEGAL COUNSEL:

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1700 Lincoln Street, Suite 2000
Denver, CO 80203
303-839-3800
mdalton@spencerfane.com

EXHIBIT B
District Budget 2018

GENERAL FUND

	2018
Beginning Fund Balance	-
REVENUES	
Property Taxes	-
Specific Ownership Taxes	-
Public Improvement Fees	-
Developer Advance	75,000
Net Investment Income	-
Intergovernmental Revenue	-
Total Revenues	75,000
EXPENDITURES	
Accounting	10,000
Audit	-
Contingency	-
District Management	-
Dues and Membership	1,000
Insurance	4,000
Legal	50,000
Miscellaneous	5,000
Total Expenditures	70,000
ENDING FUND BALANCE	5,000
Emergency Reserve	5,000
Total Reserve	5,000

CAPITAL PROJECTS FUND

	2018
Beginning Fund Balance	-
REVENUES	
Property Taxes	-
Public Improvement Fees	-
Developer Advance	-
Net Investment Income	-
Intergovernmental Revenue	-
Bond Issuance	-
Total Revenues	-
EXPENDITURES	-
Total Expenditures	-
ENDING FUND BALANCE	-

DEBT SERVICE FUND

	2018
Beginning Fund Balance	-
REVENUES	
Property Taxes	-
Public Improvement Fees	-
Developer Advance	-
Net Investment Income	-
Intergovernmental Revenue	-
 Total Revenues	 -
EXPENDITURES	
Bond Interest	-
Bond Principal	-
Miscellaneous	-
Contingency	-
 Total Expenditures	 -
 ENDING FUND BALANCE	 -

EXHIBIT C
District Boundary Legal Description

LOT 1 GRE/CSHP FILING NO. 1, CITY OF COLORADO SPRINGS, EL PASO COUNTY,
COLORADO; A/K/A PARCEL NO. 6233401052, AND 2435 RESEARCH PKWY.,
COLORADO SPRINGS, CO 80920

EXHIBIT D
District Boundary Map