

2016 OPERATING PLAN AND BUDGET

**INTERQUEST NORTH
BUSINESS
IMPROVEMENT
DISTRICT**

City of Colorado Springs, El Paso County, Colorado

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2016
OPERATING PLAN FOR THE
INTERQUEST NORTH 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 Interquest North 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.

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.

The District’s original 2005, and subsequent Operating Plans, previously approved by the City, are incorporated herein by reference, and shall remain in full force and effect except as specifically or necessarily modified hereby.

C. Purposes. As may be further articulated in prior years’ Operating Plans, the ongoing and/or contemplated purposes of this District for 2016 include financing, acquisition, construction, completion, installation, replacement and/or operation and maintenance of all of the services and public improvements allowed under Colorado law for business improvement Districts. Specific improvements and services provided by the District include parking facilities, roadways, lighting, driveways, public utilities and landscaping consistent with prior years’ activities.

D. Ownership of Property or Major Assets. The District does not own or expect to own any fee simple property or major physical assets, particularly within the 2016 budget year.

E. Contracts and Agreement. The District is not currently a party to any significant active contracts or agreements.

2. ORGANIZATION AND COMPOSITION OF THE BOARD OF DIRECTORS

- A. Organization. The Interquest North Business Improvement District was organized by the City of Colorado Springs, Colorado by Ordinance No. 04-237 on October 26, 2004.
- B. Governance. The District is governed by an elected board of directors.
- C. Current Board. The persons who currently serve as the Board of Directors are:
 - 1) Ralph A. Braden, President
 - 2) Christopher S. Jenkins, Vice-President
 - 3) David D. Jenkins, Secretary
 - 4) Frederick A. Veitch, Treasurer
 - 5) Delroy L. Johnson, Assistant Secretary

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

D. Term Limits. The District's election in November, 2004, included a ballot question to eliminate term limits pursuant to Article 18, Section 11 of the Colorado Constitution. The question passed.

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 to date.

3. BOUNDARIES, INCLUSIONS AND EXCLUSIONS

The District map is depicted in EXHIBIT C. The District may exclude certain property from its boundaries due to a change in use from commercial to residential.

4. PUBLIC IMPROVEMENTS

The District does not presently anticipate funding the design, installation, or acquisition of additional public improvements during 2016. The District will fund the reimbursement of improvements during calendar year 2016.

The District does not anticipate the construction or acquisition of any public improvements in 2016.

5. ADMINISTRATION, OPERATIONS, SERVICES AND MAINTENANCE

No changes to the improvements and services to be furnished by the District as listed in all of the previous Operating Plans are proposed for 2016. Therefore, all of the previous Operating Plans, including all limitations found in Section 3 Description of Public Improvements and Services, Section 4 Administration, Operation and Maintenance, Section 5 Financial Plan and Budget (with the exceptions noted below and the budget which is attached hereto as EXHIBIT B) are unchanged and incorporated herein by reference.

(a) 2005 Election. The District held an election in November, 2005 for the purpose of authorizing debt for water and sanitation purposes to allow the District to shift funds from one category of improvements to others, but the total authorized debt shall not be increased without the consent of City Council.

(b) Section 5.4(j) of the original Operating Plan filed on September 17, 2004 was modified by the 2011 Operating Plan, after a Public Improvement Fee was imposed and implemented on the property within the District, to read as follows:

“(j) The bonds including revenue bonds, of the District will be limited to those that are payable either from ad valorem property taxes, assessments, PIF revenues, permitted user fees, reimbursements, interest and interest earnings of the District, and from other revenues made available to the District. The District will not impose a sales tax.”

The purpose of the PIF is to pay for public improvements provided by the District to the property which were originally paid for from its bond issuance in 2010.

(c) Inclusion of approximately 24.029 acres of unimproved real property into the District was requested by petition with a hearing before City Council occurring September 25, 2007. This inclusion was approved by City Council pursuant to Section 31-25-1220, C.R.S. and did not necessitate an amendment to the District’s then-current Operating Plan.

The District has no employees and all administrative functions are contractual.

6. FINANCIAL PLAN AND BUDGET

1. 2016 Budget. The 2016 Budget for the District is attached as EXHIBIT B.
2. Authorized Indebtedness. At an election held on November 2, 2004, the voters approved general obligation indebtedness of \$9,900,000 for street improvements. On November 1, 2005, the District’s electors authorized additional indebtedness of \$3,100,000 for water and storm drainage. The voters also approved an annual increase in taxes of \$50,000, at a mill levy rate not to exceed one mill, for general operations and maintenance. The election also allows the District to retain all revenues without regard to the limitations contained contained in Article X,

Section 20 of the Colorado constitution. Pursuant to the District's Operating Plan filed annual with the City, the maximum debt service mill levy the District can impose is 50.000 mills. As set forth in the District's 2005 Operating Plan, the City originally limited the amount of debt to be issued to a total of \$9,900,000 in the authorized voted categories, without future approval by the City. By approval of this Operating Plan, the District will be allowed to issue debt up to a total of \$13,000,000, excluding refundings thereof, to correspond with the electoral authorization approved by the voters of the District and to coincide with the increased construction costs incurred by the District for public improvements.

3. Property Tax and Mill Levy Caps. The mill levy limitations in the Original Operating Plan (being 50 mills for debt service and one (1) mill for general operations and administrative expenses) remain unchanged.
4. District Revenues. See 2016 budget attached hereto as EXHIBIT B.
5. Existing Debt Obligations. In 2010 the District issued its \$6,500,000 Limited Tax General Obligation Bond, Series 2010 (the "2010 Bond"). This issuance was approved by the City Council by Resolution No. 185-10 as required by the 2010 Operating Plan.
6. Future Debt Obligations. In accordance with the City's Special District Policy 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 consistency 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. The District will seek the issuance of and additional \$4,765,000 in bonds in 2016. If additional bonds are issued, the budget for the District will be amended as required per statute and the amended budget will be filed with the City.
7. Other Financial Obligations. No other financial obligations of the District are anticipated in the coming year.
8. 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.
9. 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.

10. 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.
11. 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, prospectus, 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 consistency 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. This District will not utilize any revenues from a new, increased or expanded public improvement fee (PIF) unless specifically authorized in a subsequent operating plan and budget, or separately approved by City Council. The imposition of a PIF and any provisions for adjustment of a PIF that have been previously approved by City Council shall not be subject to this restriction.

(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. 2016 ACTIVITIES, PROJECTS AND CHANGES

1. Activities

The District does not anticipate activity for commercial development in 2016, and has no specific plan at this time.

2. Projects and Public Improvements

The District does not presently anticipate funding the design, installation or acquisition of additional public improvements during 2016. If the District acts to fund additional improvements during calendar year 2016, an amendment to this Operating Plan will be sought in accordance with the provisions of Section 31-25-1211, C.R.S.

3. Summary of 2016 Activities and Changes from Prior Year

The District's activities will focus on district administration and payment of its bonds.

Boundary changes: The District may exclude certain property from its boundaries due to a change in use from commercial to residential (see 3. Boundaries, Inclusions and Exclusions above).

Changes to board or governance structure: Not anticipated for the upcoming year.

Mill levy changes: Mill levies remain the same for the upcoming year.

New, refinanced or fully discharged debt: It is anticipated that the District will issue additional bonds in the upcoming year.

Elections: Not anticipated for the upcoming year.

Major changes in development activity or valuation: Not anticipated for the upcoming year.

Ability to meet current financial obligations: See 2016 Budget attached as EXHIBIT B.

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.

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:

Ralph A. Braden, President (w) 719-593-2600
Nor'wood Development Group (f) 719-633-0545
111 South Tejon, Suite 222 rbraden@nor-wood.com
Colorado Springs, CO 80903
Term: Elected 5/6/2012; 2012-2016; 4-year term

Christopher S. Jenkins, Vice President (w) 719-593-2600
Nor'wood Development Group (f) 719-633-0545
111 South Tejon, Suite 222 chrisjenkins@nor-wood.com
Colorado Springs, CO 80903
Term: Elected 5/6/2012; 2012-2016; 4-year term

David D. Jenkins, Secretary (w) 719-593-2600
Nor'wood Development Group (f) 719-633-0545
111 South Tejon, Suite 222 ddj@nor-wood.com
Colorado Springs, CO 80903
Term: Elected 5/6/2012; 2012-2016; 4-year term

Frederick A. Veitch, Treasurer (w) 719-593-2600
Nor'wood Development Group (f) 719-633-0545
111 South Tejon, Suite 222 fveitch@nor-wood.com
Colorado Springs, CO 80903
Term: Elected 5/4/2010; 2010-2014; 2014-2018

Delroy L. Johnson, Assistant Secretary (w) 719-593-2600
Nor'wood Development Group (f) 719-633-0545
111 South Tejon, Suite 222 djohnson@nor-wood.com
Colorado Springs, CO 80903
Term: Appt 8/2013-2014; Elected 2014-2018; 4-year term

DISTRICT MANAGER:

CliftonLarsonAllen LLP (w) 303-779-4525
8390 East Crescent Parkway, Suite 600 (f) 303-773-2050
Greenwood Village, CO 80111

DISTRICT CONTACT:

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111 South Tejon, Suite 222 djohnson@nor-wood.com
Colorado Springs, CO 80903

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STAFF: N/A

EXHIBIT B

**2016 BID Budget
General Fund
Debt Service Fund
Capital Projects Fund
(including taxes, fees, assessments and
estimated principal amount of bonds)**

EXHIBIT C

District Boundary Map